CPC Climate Capital

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Welcome

How CPC Climate Capital Supports New Construction and Retrofits for Clean Energy in Multifamily Housing

AGENDA

1. Welcome & Housekeeping
2. Who We Are
3. Multifamily Lending Strategy
   - Performance Standards
   - Products and Terms
4. Timeline & Next Steps
5. Open Q&A

THE COMMUNITY PRESERVATION CORPORATION: Mission-driven Since 1974

The Community Preservation Corporation (CPC) is a 50-year-old housing finance nonprofit providing construction loans, permanent loans, and equity investments for multifamily housing. We provide **flexible capital solutions, fresh thinking and a collaborative approach to the complex issues facing communities.**

CPC uses our unique expertise in housing and public policy to:

- **Expand housing access** and seek new ways to lower the cost of producing affordable housing
- **Invest in closing the racial wealth gap**, and increase diversity and equity in the development industry
- **Commit to and expand investment in the green economy** and lessen the impact of climate change

President Jimmy Carter & Rep. Bella Abzug Visit
South Bronx, NY

THE COMMUNITY PRESERVATION CORPORATION: Our Mission at Scale

Over five decades lending and investing in communities, CPC has:

- Made **$15 billion in mission-driven investments**
- Created or preserved **230,000 units** of affordable and workforce housing for more than **1 million people**

Recent Achievements, Awards, and Partnerships:

- $12 billion in assets under management
- Only nonprofit-owned mortgage bank in the country with licenses with Freddie Mac, Fannie Mae and FHA
- AA- S&P Global Rating
- Servicing more than $9.5 billion in loans including NYC and State subordinate debt
- The FDIC selected a CPC-led partnership to acquire equity interest in a $5.8 billion portion of the portfolio formerly held by Signature Bank, with CPC servicing the 800+ permanent loans secured by nearly 35,000 units of primarily rent-regulated housing
- Climate United Coalition partner receiving $2.42 billion in Greenhouse Gas Reduction Fund capital for multifamily decarbonization
- $1.34 billion invested in sustainable projects since 2015

CPC CLIMATE CAPITAL IS CPC'S NEWLY CREATED SUBSIDIARY THAT DRIVES OUR EXECUTION OF THE CLIMATE UNITED MULTIFAMILY STRATEGY

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CPC Climate Capital will provide **low-cost debt financing** to decrease the overall cost of mortgage capital while increasing proceeds **to cover the higher upfront costs of meeting energy efficiency and decarbonization standards**.

Capital will be **subordinate to the first mortgage** like other public support programs, provided at **significantly below market interest rates**, **coterminous** with the first mortgage, and **pre-payable** at any time without penalty.

Climate United is a collaboration of experienced mission-driven lenders and investors dedicated to bringing clean energy solutions to Justice40 communities across the country.

CLIMATE UNITED

A COALITION OF:

Calvert Impact™

CPC Community Preservation Corporation

Self-Help®

CLIMATE UNITED CAPITAL SOLUTIONS

WeAreClimateUnited.org

DO YOU HAVE A PROJECT IN YOUR COMMUNITY?

Yes, we want to green our buildings (including installing solar and EV charging)

- MULTIFAMILY HOUSING → CPC Climate Capital
- SINGLE FAMILY HOUSING → Self-Help Climate Capital
- COMMERCIAL OR SCHOOLS → Climate United (Calvert Impact)

Yes, we want to do only solar

- RESIDENTIAL SOLAR → Self-Help Climate Capital
- COMMUNITY & COMMERCIAL → Climate United (Calvert Impact)
- SCHOOLS OR FACILITIES → Climate United (Calvert Impact)

Yes, we want Electric Vehicles

- PASSENGER VEHICLES → Self-Help Climate Capital
- OTHER EV OR “OTHER” → Climate United (Calvert Impact)

ANTICIPATED TIMELINE

Aug. 2024 – Aug. 2029
NCIF Program Period

April 4th
NCIF Award announcements

August 13
Awards officially executed

April 5 – August 13
Review of Program Parameters
Review and negotiation of Terms and Conditions with EPA

Refinement of workplan, budget, products, and strategy to meet award and program parameters.

August – December
Stand Up Phase
Development of policies and procedures to comply with federal grant requirements.

Hire staff, procure resources, and develop systems.

Pilot multifamily strategy with subset of shovel-ready projects.

Preparation for 2025 pipeline.

Q1/Q2 2025
Initial Deployment
Begin initial deployment: Direct lending behind first mortgage lenders.

PROGRAM HIGHLIGHTS

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THE NATIONAL CLEAN INVESTMENT FUND (NCIF)

PROGRAM REQUIREMENTS

- At least 40 percent of investments must be made in LIDAC communities
- All dollars must be used to support or finance Qualified Projects
- Majority of funds must go into projects as financial assistance (anything BUT grants)
- Financing can be direct to project or alongside a Community Lender

PRIORITY CATEGORIES

- Distributed energy generation and storage (typically from 1 kW to 10,000 kW)
- Zero-emissions buildings
- Zero-emissions transportation

RECIPIENTS

- **Climate United** (Calvert Impact, CPC, Self-Help)
- **Coalition for Green Capital**
- **Power Forward Communities** (Enterprise, LISC, Rewiring America, Habitat for Humanity, United Way)

FEDERAL CROSS-CUTTERS

Federal laws or executive orders that must be considered under any federally-funded program. CPC Climate Capital projects may need to comply depending on the details of the project.

Among others, these cross-cutters include:

Davis Bacon & Related Acts (DBRA)

- Requires prevailing wages for workers on federally funded construction projects
- Applicability depends on presence of construction activities and timing of committed funds (pre- or post-construction)

Build America, Buy America (BABA)

- Requires the use of all US-made materials in federally funded public infrastructure projects
- Applicability depends on building's public subsidy sources and presence of publicly accessible areas

National Historic Preservation Act (NHPA)

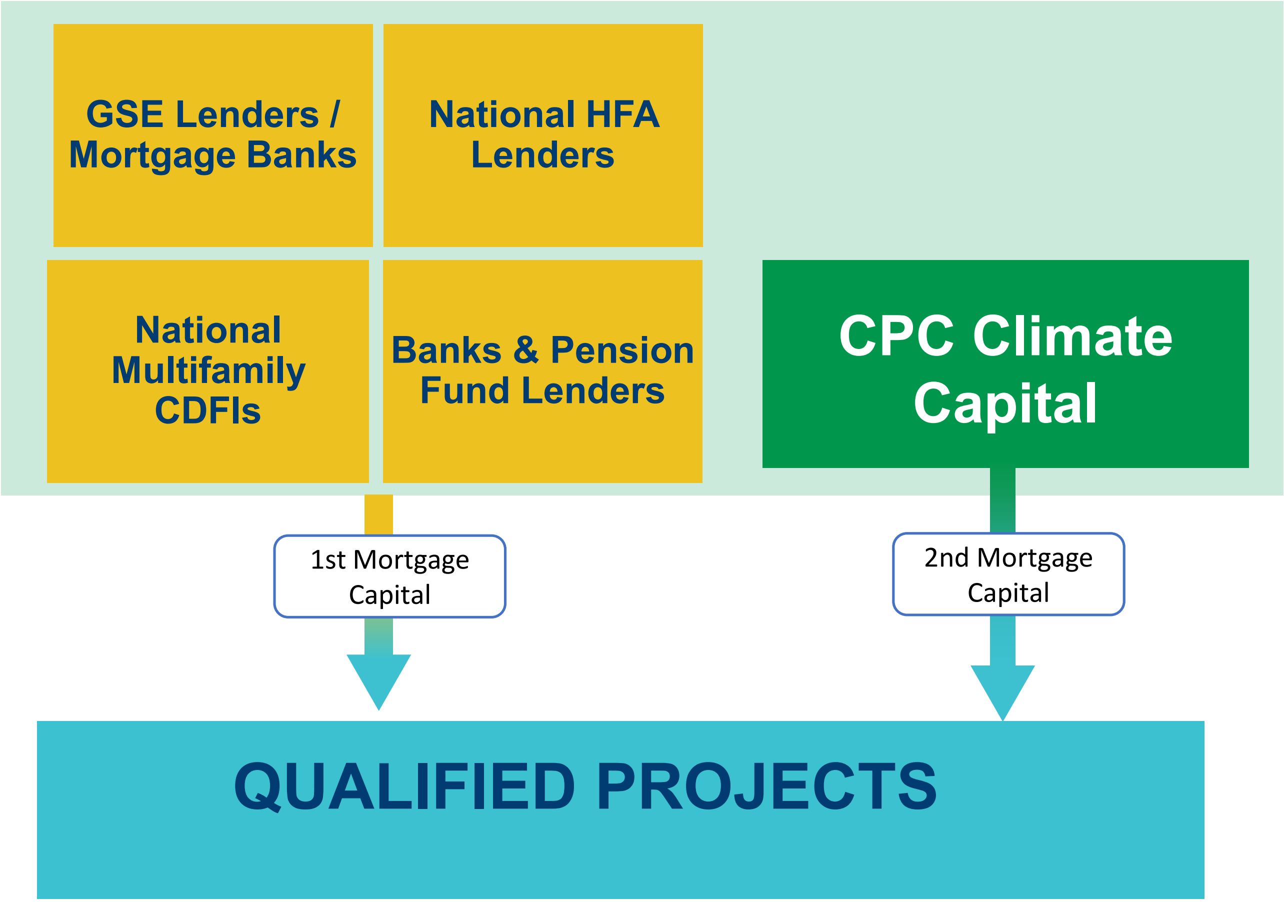
- Requires federal agencies to assess the effects on historic properties before proceeding with projects
- Applicability depends on historic classification of a building

DELIVERING DECARBONIZATION THROUGH THE MORTGAGE MARKETS

As the multifamily deployment partner of Climate United, CPC Climate Capital will leverage the **existing network of mortgage lenders** and assist them in advancing sustainability and decarbonization **in the work that they already do.**

CPC Climate Capital will co-lend alongside first mortgage lenders and incentivize private capital entities to lend to qualified projects.

Capital will be subordinate to the first mortgage, similar to other public support programs, provided at significantly below market interest rates, coterminous with the first mortgage, and pre-payable at any time without penalty.



MULTIFAMILY LENDING STRATEGY

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CLIMATE UNITED'S MULTIFAMILY PERFORMANCE STANDARDS

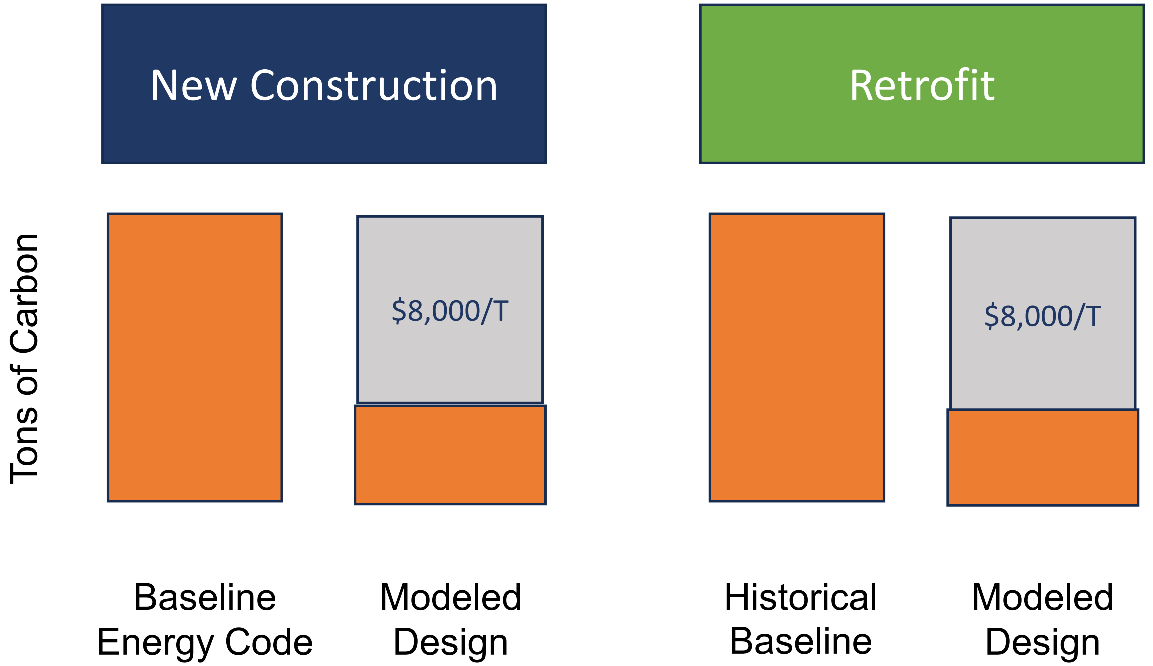
To qualify for CPC Climate Capital sub-debt, buildings must achieve one of the following performance standards.

Retrofits of Existing Buildings			*New Construction*
20% Energy Reduction OR 1 Ton Carbon reduction per unit annually No new fossil fuel systems or appliances* Must submit a "Zero Over Time" Plan.	35% Energy Reduction OR modeled Energy Star Score of 75+ All-Electric*	35% Energy Reduction OR modeled Energy Star Score of 75+ All-Electric* Powered solely by renewable energy	Modeled energy use >10% better than the latest model energy code, and meets the DOE definition for ZEB All-Electric* Powered solely by renewable energy
Save a Ton	**Clean Air**	**Clean Air Boost** (Zero Emissions Building)	**Clean Air Boost** (Zero Emissions Building)

**Allowable exemptions include onsite backup power generation and Domestic Hot Water for multifamily buildings 7 stories and above.*

LOAN SIZING: $8,000/TON OF CARBON REDUCED/AVOIDED

- CPC Climate Capital will fund $8,000 per annual ton of projected carbon reduced
- Ground Up New Construction will be based on modeled design vs current local codes.
- Retrofits will be based on modeled design vs historical baseline. The projected carbon reduced will be based an Energy and Decarbonization Assessment provided by an approved, 3rd party Technical Assistance Provider.



MULTIFAMILY RESIDENTIAL FINANCIAL PRODUCTS

PREDEVELOPMENT LOANS

- Low interest predevelopment loans to support soft costs associated with designing the project scope to meet one of CPC Climate Capital's environmental performance standards.

CONSTRUCTION BRIDGE FACILITY (SUBORDINATE)

- Top loss guarantee incentivizing private capital entities to fund construction of qualified projects through 3rd party bridge lenders.

- Private capital entities will fund credit facilities to intermediary bridge lenders who will use the proceeds made available from such facilities to fund construction and rehabilitation projects that achieve the Climate United performance standards.

SUBORDINATE LOANS

- **Direct Lending (Construction to Perm)** - Subordinate loans originated by Climate Capital to fund construction or rehab of projects meeting Climate United's performance standards. Will be subject to DBRA & BABA

- **Direct Lending (Perm Loans) -** Subordinate perm loans originated by CPC Climate Capital to fund projects that have been completed to Climate United's performance standards

GREEN PRE-DEVELOPMENT LOAN

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Purpose

- To fund support of pre-construction activities that result in projects meeting Performance Standards

Uses and Requirements

- Use is for pre-construction activities (i.e. soft costs)
  - Site and Building Assessments
  - Pathway to Zero O&M Plans
  - Feasibility Studies
  - Design and Engineering Support
  - Permitting Support
  - Workforce Development and Support
- Borrowers must have acceptable site access agreement and/or site control

Terms	
Eligible Locations	Available in all U.S. states, territories, and tribal communities
Max Loan Size	$5,000,000
Interest Rate	5%
Term	12 - 36 months
Payoff	Prior to site preparation with proceeds from construction loan closing, borrower equity, or other sources
Collateral	Guarantee from sponsor

GREEN SUBORDINATE CONSTRUCTION OR REHAB LOAN

Purpose

- To fund construction or rehab that is designed to meet the Performance Standards, prioritizing investments in Low-Income and Disadvantaged communities (LIDAC)

Requirements

- Existing Buildings must meet either Save a Ton, Clean Air, or Clean Air Boost Performance Standards
- New Construction must meet Clean Air Boost Performance Standard
- Building must be 5+ units

Terms	
Max Loan Size	10% of total development cost
Minimum Equity	10% of TDC (for-profit) 2% of TDC (non-for-profit)
Interest Rate	Up to 3% (subject to market)
Amortization	Interest-only during construction
Max LTV	Up to 100%
Min DSCR	At perm take-out; determined by first mortgage lender
Term	Coterminous with the construction lender; not to exceed 36 months
Payoff	At conversion or payoff of construction loan
Fee	Up to a 1% borrower paid origination fee

GREEN SUBORDINATE CONSTRUCTION OR REHAB LOAN

Terms Continued	
Collateral	Secured subordinate mortgage
Availability of Loan Proceeds	All improvements must be completed, and funds must be drawn within a maximum of 36 months from loan closing
Liquidity Requirements	Align with first mortgage lender requirement; Financing will adhere to standard construction monitoring and underwriting requirements
Guarantee	Borrower/Sponsor will provide a construction loan guarantee consistent with the first mortgage lender
Davis Bacon & Related Acts	Any construction work financed in whole or in part with the Loan must comply with Davis Bacon Act and any related acts administered by the Department of Labor and any other applicable federal statutes and regulations related to labor and equitable workforce development.
Build America, Buy America	If the property is deemed to be public infrastructure and not privately owned multifamily housing, then the project must comply with Build America, Buy America requirements.

GREEN SUBORDINATE PERMANENT LOAN

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Purpose

- To eliminate the shortage of funding available for decarbonization projects in multifamily buildings by originating loans subordinate to first mortgages, prioritizing investments in Low-Income and Disadvantaged Communities (LIDAC)

Requirements

- Existing Buildings must meet either Save a Ton, Clean Air, or Clean Air Boost Performance Standards
- New Construction must meet Clean Air Boost Performance Standard
- Loan must be used to fund the already completed building improvements that were previously put in place to achieve the required emissions reductions and decarbonization standards
- Building must be 5+ units

Terms	
Max Loan Size	10% of total development cost
Minimum Equity	10% of TDC (for-profit) 2% of TDC (non-for-profit)
Interest Rate	Up to 3% fixed
Amortization	Up to 40 years
Term	Coterminous with the first mortgage lender
Max LTV	Up to 100% combined
Min DSCR	As determined by first mortgage lender
Fee	Up to a 1% borrower paid origination fee
Collateral	Secured Subordinate mortgage
Build America, Buy America	If the property is deemed to be public infrastructure and not privately owned multifamily housing, then the project must comply with Build America, Buy America requirements

NEXT STEPS

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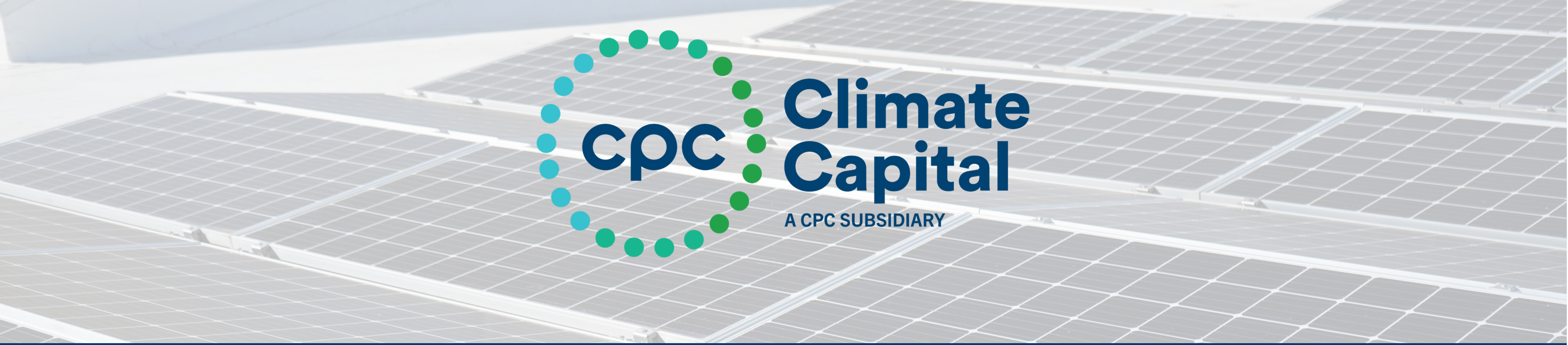
MARKET BUILDING

- Pre-development support and financing
- Program Guide
  - Process and procedures
  - Navigating the technical assistance process
  - How to originate a green loan, how to size a green loan (for Lenders)
  - Find a Contractor (for Owners/Developers)
  - Operations and Maintenace (O&M)
- Training series
- Case studies (by region, product, and performance standard)
- Low Carbon Multifamily Retrofit Playbooks by region
- FAQs, Challenges and Solutions, Best Practices
- Workforce development – partnering with local workforce training programs

NEXT STEPS

- Review Climate United's Multifamily Performance Standards and Term Sheets
- If you're an owner/developer:
  - Assess your portfolio for upcoming capital events
  - Benchmark baseline energy consumption and GHG emissions
  - Connect with your first mortgage lender, tell them about the program, share our term sheets
- Research state and local green incentives and IRA incentives and rebates to take advantage of additional financing options
- Review CPC's Sustainability Guides (https://communityp.com/insights/#sustainability)
- Submit a project through our intake form at CPCClimateCapital.com - Coming Soon!



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QUESTIONS?

UNCOMMON EXPERTISE.
UNMATCHED IMPACT.

CASE STUDIES

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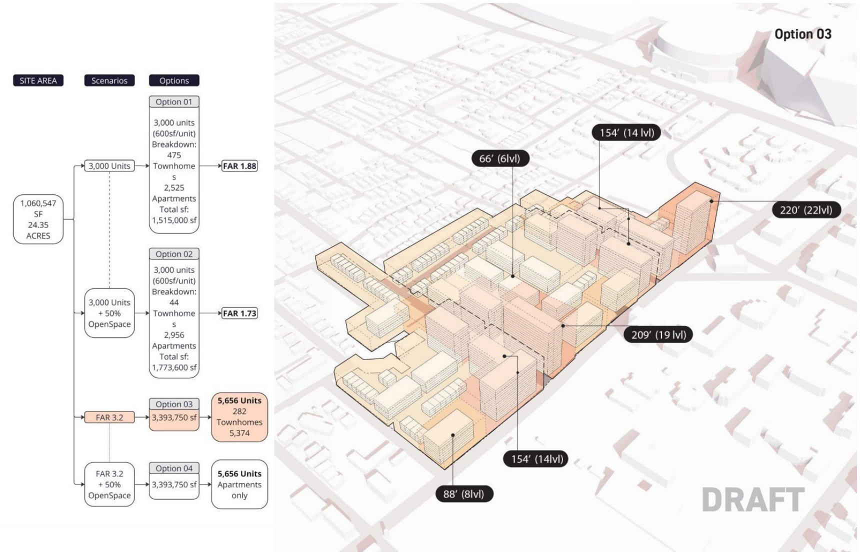
GREEN PRE-DEVELOPMENT LOAN – ATLANTA, GA



PROJECT SUMMARY

Building Type: 14 Acre, 3 Phase Development, owned by HBCU Clark Atlanta Campus (99-year ground lease). Loan scope covers Phase 1 of development for the first three residential buildings

Number of Units: ~350 units

Affordability: 40% of units to be permanently restricted to households earning between 30% and 80% of AMI

Anticipated Performance Standard: Clean Air Boost

Decarbonization Scope: Master planning and energy modeling for designing an integrated ground link VRF heat pump and well system to eliminate on-site carbon for space conditioning while maximizing energy efficiency.

Developer: Experienced Multifamily Developer

Project Details	
Purpose	Borrower is requesting a total of $6 million for predevelopment work, including $2.6 million for the required master plan by the City of Atlanta and an additional $3.4 million for the Phase I design.
Anticipated Closing	January 2025; aim to complete predevelopment in advance of the QAP application deadline in October 2025.
Prioritization	Project qualifies as LIDAC and is led by a BIPOC developer; located in an EPA IRA Disadvantaged Community in Downtown, Atlanta. The overall project would also add a total of 1,194 units with 40% permanently restricted to households earning between 30% and 80% of AMI.

Issues

- Project is several years out from beginning of construction and funds would catalyze significant private capital mobilization by funding pre-construction activity

GREEN SUBORDINATE CONSTRUCTION LOAN – HUDSON VALLEY, NY

PROJECT SUMMARY

Building Type: 18-story apartment building

Number of Units: 179 units

Year Built: 1968

Last Renovated: 2005

Affordability: 100% of units restricted to 60% AMI

Anticipated Performance Standard: Clean Air

Decarbonization Scope: Deep energy retrofit including energy-efficient windows, heat pump installation, geothermal system for heating, cooling, and air source DHW heat pumps, and improved ventilation.

Developer: Experienced Affordable Developer

SOURCE	AMOUNT
NYS HCR SLIHC Tax Credit Equity	$15,800,000
First Mortgage (Fannie Mae)	$39,786,270
Solar ITC Equity	$581,855
NYS HCR CEI Program	$4,475,000
NYS HCR Multifamily Preservation Loan	$13,425,000
Equity Bridge Loan (EBL)	$16,937,568
EBL Payoff	($16,937,568)
NY Central Hudson Clean Heat Rebate	$700,000
Income from Operations	$168,199
Debt Service Reserve	$680,053
GGRF Loan	$8,569,152
Total	**$84,250,388**

USE	AMOUNT
Acquisition Costs	$42,000,000
Construction Costs	$35,464,032
Project Soft Costs	$3,798,394
Developer Legal Costs	$170,000
Financing Insurance Costs	$452,703
Financing Legal Costs	$140,000
Equity Syndication Costs	$163,000
Reserves and Escrows	$2,369,333
Soft Cost Contingency	$236,205
Developer Fee	$1,000,000
Total	**$84,250,388**

GREEN SUBORDINATE PERMANENT LOAN – HUDSON VALLEY, NY

PROJECT SUMMARY

Building Type: Adaptive reuse of the 4-story YMCA property with a 2-story addition

Number of Units: 109 units

Year Built: 1912

Affordability: (from 30% to 80% of AMI), 80% of which are reserved for ages 55+

Anticipated Performance Standard: Clean Air

Decarbonization Scope: Geothermal (all-Electric) Heat, 225KW +/- solar array producing 40% of building electricity, energy recovery ventilators, EV charging and electric bike charging

Developer: Experienced Affordable Developer

SOURCE	AMOUNT
LIHTC	$17,342,075
First Mortgage Tax Exempt	$8,470,000
ITC Geothermal	$287,892
NYSERDA Tier II	$218,000
ITC Solar	$102,695
NYS HFA	$11,360,312
HFA Subsidy	$841,000
NHLA Grant	$5,000,000
Subordinate Debt/Grant	$10,000,000
Deferred Dev Fee	$1,786,096
Westchester County HFF	$1,233,059
Interest Earned on Bonds	$262,642
CPC Climate Capital	$3,472,000
Total	**$60,274,471**

USE	AMOUNT
Acquisition Costs	$6,450,000
Construction Costs	$30,864,391
Profit	$1,701,522
Overhead	$509,672
General Conditions	$1,885,586
Insurance	$997,548
Payment and Performance Bond	$171,063
Architecture and Engineering	$2,130,063
Financing and Insurance	$5,640,169
Accounting and Legal	$683,889
Other Soft Costs	$2,739,220
Total Reserves, Soft Cost Contingency, Fees	$6,501,377
Total	**$59,948,273**