Monetizing Savings, Financing Passive House

November 3, 2016

cpc Community Preservation Corporation

The Community Preservation Corporation (CPC): Uncommon Expertise. Unmatched Impact.

CPC believes housing is central to transforming underserved neighborhoods into thriving, vibrant communities.

- **CPC is a nonprofit affordable housing and community revitalization finance company providing flexible capital solutions, fresh thinking and a collaborative approach to the complex issues facing communities.**

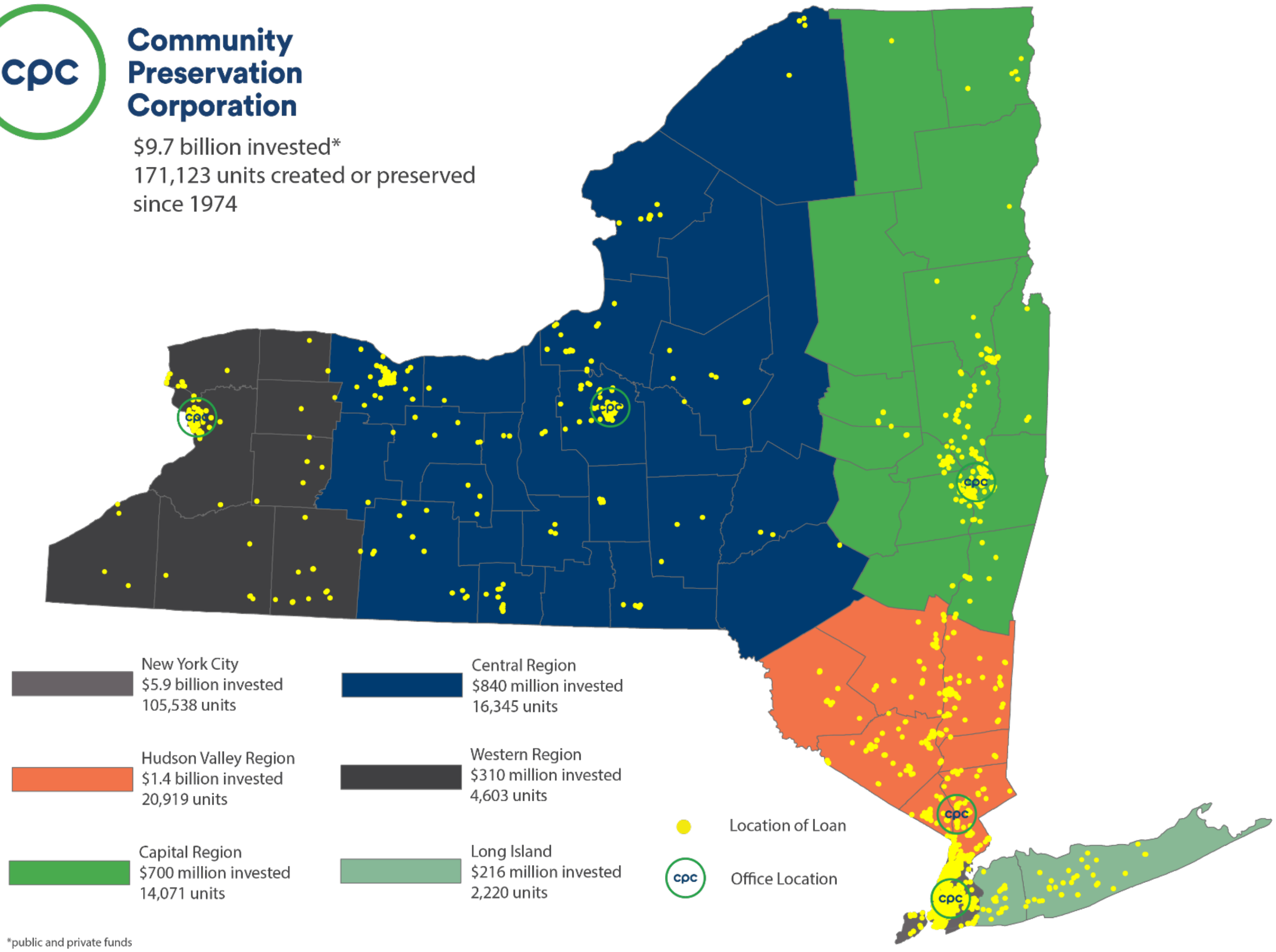
- **Our goal is to be more than just a lender. At CPC, we work as a partner to provide technical expertise, support and flexible solutions that help meet the capital needs and broader community revitalization goals of our customers, local stakeholders and the communities we serve.**




Where are we?

Community Preservation Corporation

$9.7 billion invested*
171,123 units created or preserved since 1974



*public and private funds

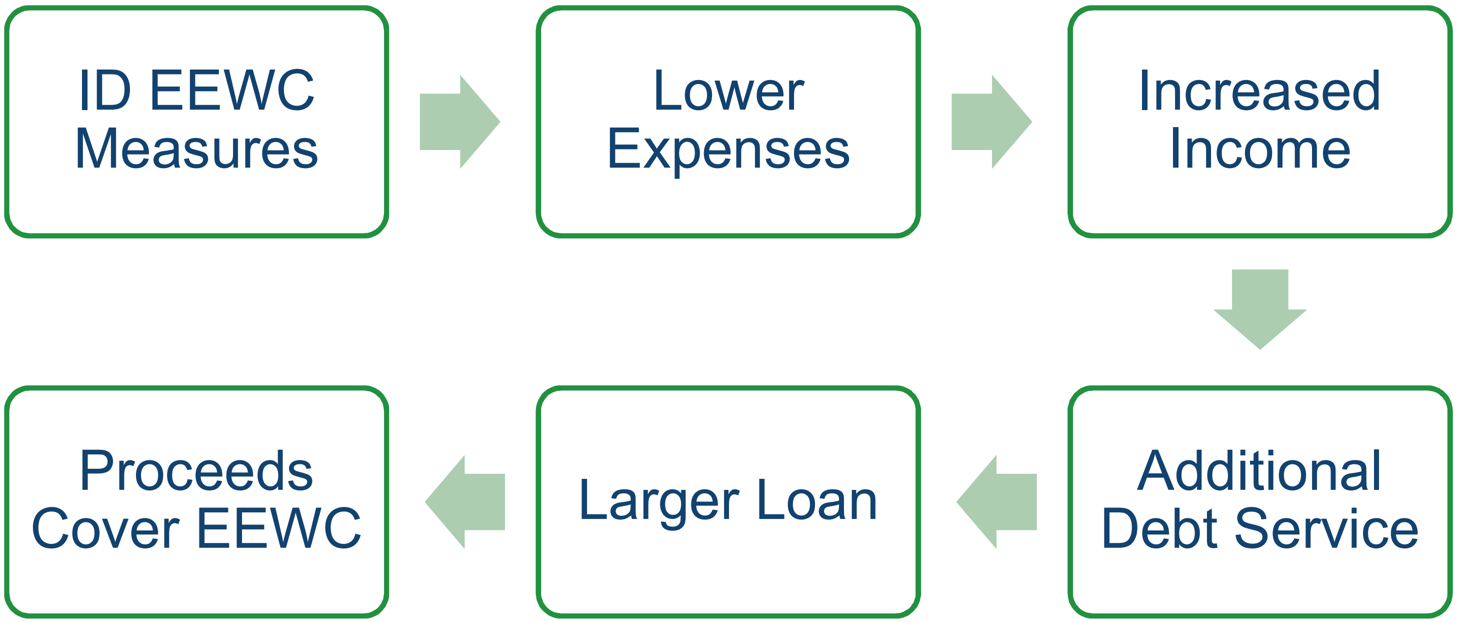
What do we do?

CPC provides construction and permanent financing to owners of multifamily housing in low and moderate income neighborhoods.

We use our flexible financing to support the preservation of existing and new construction of affordable rental housing throughout New York State.

Over our 42-year history, CPC has contributed to the preservation or creation of over 171,000 units of affordable housing, initiated numerous downtown revitalizations, and improved the quality and energy efficiency of the multifamily stock.

- **CPC's financing methodology integrates energy efficiency and water conservation (EEWC) measures into a traditional multifamily mortgage.**



Benefits of Sustainability

- **By using the projected savings of energy and water retrofit measures in our underwriting, CPC provides clients with:**
  - Low Cost, Long Term, Capital
  - Quality Retrofits
  - High Performance Buildings
  - Long Term Economic Stability

- **Supporting sustainable housing benefits a lender too:**
  - Increased Value
  - Lower Risk
  - Higher Debt Service Coverage

Community
Preservation
Corporation

Monetizing the Benefits

Investing in energy efficiency and renewables reduces utility bills and operating expenses.

When expenses decrease, net operating income (NOI) will increase. A higher NOI means a building can support additional private debt.

When mortgage lenders monetize energy savings, borrowers can utilize low-cost, long-term capital to finance energy investments.

Monetizing projected energy savings allows a building to support additional private debt. Now, loan proceeds can be used to fund deeper retrofits and larger energy investments.

In affordable housing, if construction costs remain the same, additional debt can be used to offset the need for public subsidy.

- **20 Unit building in Nassau County utilizing SPARC Program subsidy (CDBG-DR)**
  - Davis Bacon and other federal requirements
- **Rents: 80% of 2015 FMR for Nassau County**
- **Expenses based on CPC 2015 M&O standards for Hudson Valley**
- **TDC based on recent CPC new construction project in Hudson Valley**
  - 10% added to account for additional Davis Bacon and Passive House costs
- **5% construction loan interest rate, 6% permanent loan interest rate**
- **90% savings in heating and cooling costs and 75% saving in other utilities above CPC standards are assumed, based on information from New York Passive House**
  - 50% of these projected savings are underwritten (42% total savings)

Case Study: Underwriting Passive House -- Nassau County

	CPC Standard	Energy Savings	Difference	%
Total Income	$313,705	$313,705		
Expenses				
Gas	$9,805	$5,393	($4,412)	45%
Electricity	$5,300	$3,313	($1,988)	37.5%
Other	$87,032	$87,032		
Total Expenses	115,387	$108,988		
Net Operating Income (NOI)	$198,318	$204,718	$6,400	
Loan Amount	$2,265,560	$2,338,670	$73,110	
Subsidy Amount	$3,146,864	$3,073,754	($73,110)	