



High-Performance Retrofits: Financing Challenges and Opportunities



**Community[®]
Preservation
Corporation**

Uncommon Expertise.

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.

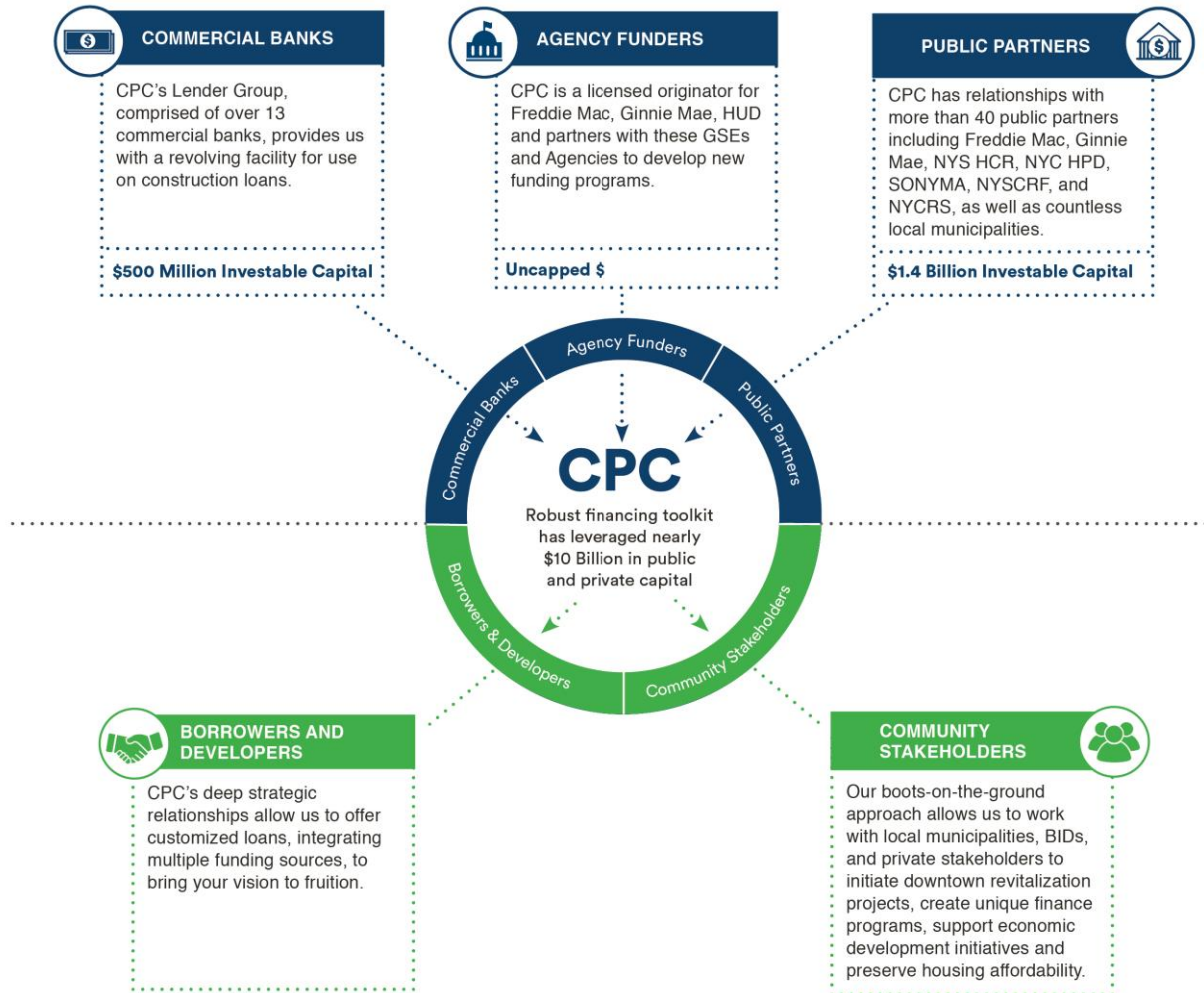
Our goal is to be more than just a lender. At CPC, we work as a partner to provide technical expertise, support and flexible solutions that help meet the capital needs and broader community revitalization goals of our customers, local stakeholders and the communities we serve.

Building on a cumulative 45 years of successful investing and servicing experience, today CPC is the largest CDFI in the country that is solely dedicated to investing in multifamily housing.



Our Unique Role in the Market

CPC plays a unique role bridging the public sector and private capital, and makes community investments at a scale unmatched in the CDFI industry.



CPC's Products

Construction Lending



We will simultaneously commit a construction loan and a long-term permanent mortgage, which can be committed up to 24 months in advance. This includes lending for the acquisition/refinancing and rehabilitation of multifamily-occupied properties, gut renovation of vacant buildings into multifamily properties, and new construction of multi- and single-family properties.

Permanent Financing



CPC has a full suite of permanent lending products uniquely tailored to fit multifamily mortgage needs. From acquisition to refinancing, our team of dedicated experts work with borrowers to find the most competitive terms and rates.

- FHA Section 223(f)
- FHA Section 221(d)(4)
- FMAC Multifamily Workforce Housing Forward Rate-Lock Pilot Program
- FMAC Conventional Program
- FMAC Small Balance Loan Program
- FMAC Targeted Affordable Housing
- Long Term Fixed-Rate Financing

Equity Investing



CPC is a long-term, cash-flow oriented investor, and our investment strategy and hold period align with the goal of creating and preserving good-quality, well-managed affordable housing. We partner with local owner-operators with strong teams and market knowledge, who share our investment philosophy.

Underwriting Efficiency

UNDERWRITING PROCESS

When CPC underwrites projected energy savings our loan officers take time to review “energy reports” and evaluate post-construction energy costs.

1. Evaluate Efficiency Savings

Evaluate the energy report and compare the scope of work and savings with similar projects.

2. Adjust for Risk

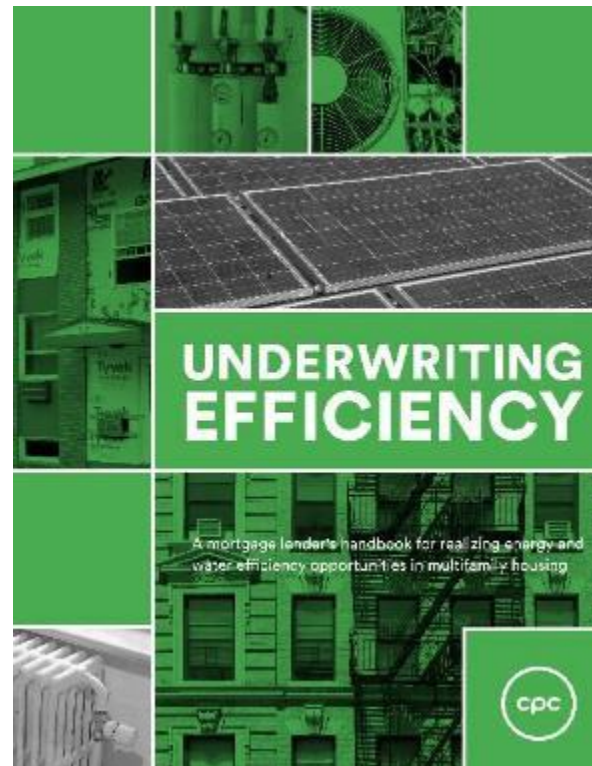
Conduct a risk analysis to determine the percentage of savings to include in underwriting.

3. Monetize Savings

Incorporate results of the savings and risk analysis into the final underwriting.

4. Finalize Loan Terms

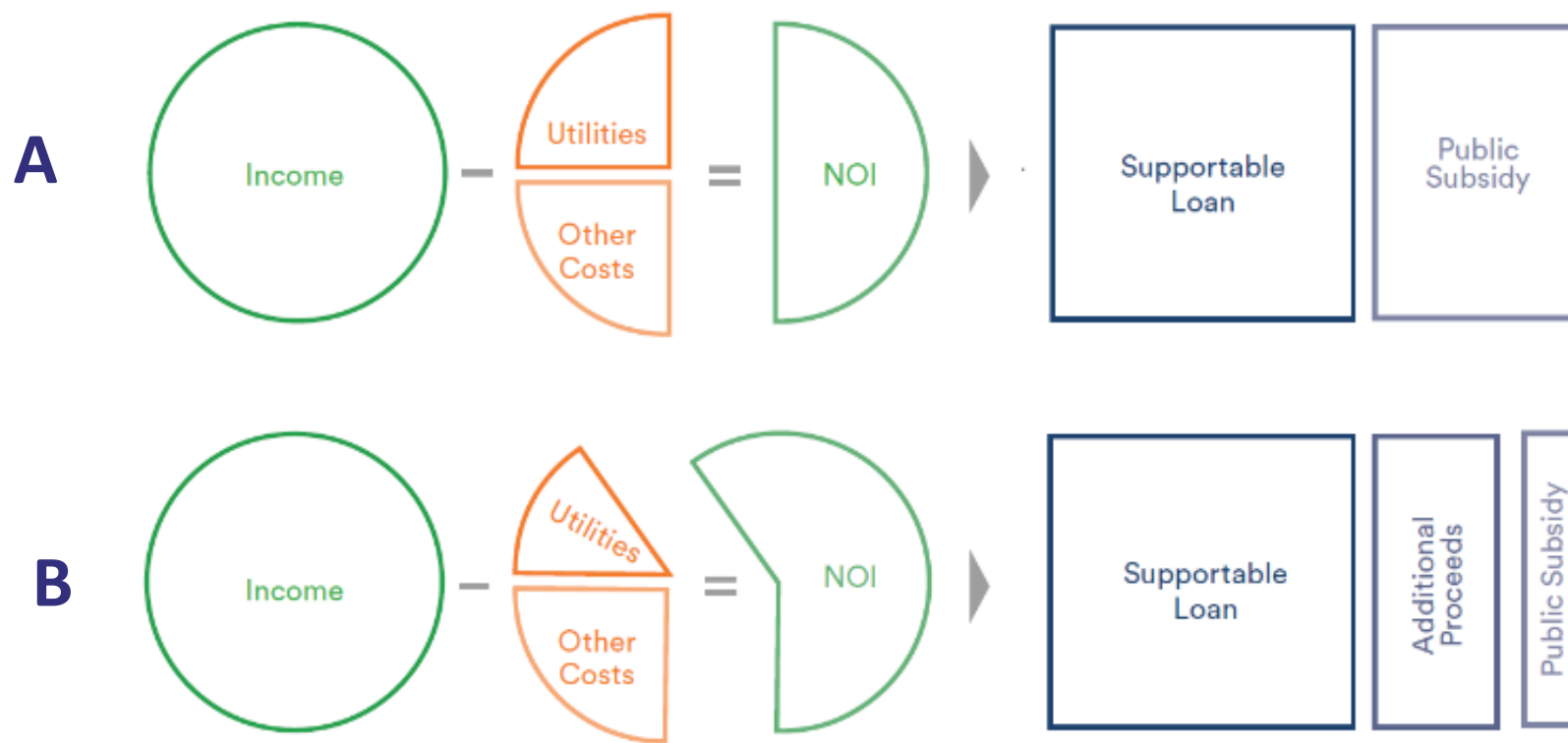
Further incentivize borrowers to pursue efficiency by reducing **the loan’s interest rate or lowering origination or servicing fees.**



Underwriting Efficiency

The cost savings associated with energy-efficient measures play a key role in ensuring the long-term economic stability of multifamily properties, which is critical to the preservation of rental affordability in our communities.

Underwriting savings and monetizing projected energy savings allows a building to support additional private debt that can be used to fund deeper retrofits and larger energy investments.



Asbury Terrace

Case Study

Property Basics

- Located in Tarrytown, Westchester, NY
- Built in 1969
- 103 units
- 1 building, 9-story mid-rise
- Includes an underground parking area, exposed parking lot, playground, laundry room, and basement community space

Current Energy Profile

- Owner pays all utilities
- Fuel costs:
 - \$1.00/therm
 - \$0.19/kWh
- Current heating index: 12.6 BTU/SF/HDD
- Façade: brick, no exterior wall insulation
- Roof: 4 inch fiberglass from original construction, roof space leased by communications companies limits roof accessibility for solar systems
- Windows: double-paned, sliders with aluminum frames
- Heating system: Scotch marine steam boiler, 75% efficiency
- Cooling system: individual A/C sleeves in units, A/Cs provided by tenants
- Lighting: various fluorescent
- Ventilation: vent registers in bathrooms and kitchens, roof fans, unbalanced shafts
- Plumbing: very high usage at 106 gallons/bedroom/day



Asbury Terrace

Retrofit Scopes and Paybacks

High utility costs in Westchester, the ease of implementing the work scope on a mid-rise building, and the ample space for solar make the payback periods on energy efficiency investments at Asbury Terrace attractive.

	Substantial Energy Retrofit	Passive House Energy Retrofit
Scope <i>Scopes are additive, green indicates items added to previous scope</i>	<ul style="list-style-type: none"> • Roof replacement • Ventilation cleaning and balancing • Replace with better toilets • + Roof insulation • + Exterior façade insulation • + Air sealing • + LED lighting • + Water submeter/leak detection • + Solar photovoltaic system 	<ul style="list-style-type: none"> • Roof replacement • Ventilation <i>with energy recovery</i> • Replace with better toilets • Roof insulation • Exterior façade insulation • Air sealing • LED lighting • Water submeter/leak detection • Solar photovoltaic system • + <i>Geothermal heat pump</i> • + <i>Window replacement</i>
Scope Cost Per Unit	\$17,647	\$38,278
Incremental Scope Cost Per Unit Over Business as Usual	\$14,837	\$35,468
Heating Index BTU/SF/HDD	6.3	3.0
Energy Usage Reduction	52%	75% (further offset by on-site solar)
Annual Energy Savings Per Unit	\$1,507	\$1,780
Payback Period	9.9 years	14.3 years
Carbon Emissions Reduction (Metric Tons)	1,333	1,929
Carbon Emissions Reduction Equivalent in Homes (offline for 1 year)	144	203

Challenges

- High labor, product, and installation costs
- Lender appetite and risk tolerance
- Low utility prices diminish returns
- Partner coordination

Opportunities

- Social and environmental benefits
- Long-term economic sustainability
- Risk mitigation
- Leadership