

Bankable Deep Energy Retrofits

What's needed for Market Transformation

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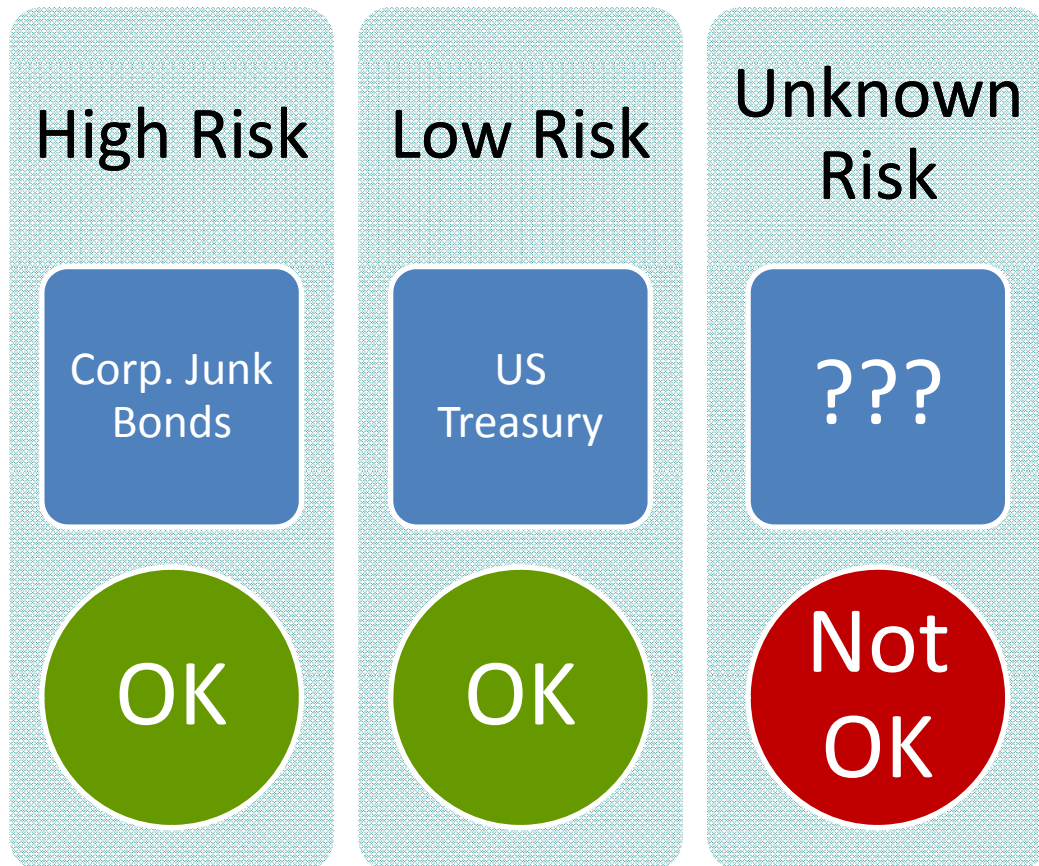
Wells Fargo Bank – RETECHS

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Appraisal review – identify & quantify risk



Money flows to investments when there is a clear and measurable risk adjusted rate of return

Use technology to establish point of beginning and then track on-going performance

Ownership and debt culture varies by “tribe”



1. SFR / 1-4 units

2. Small C & I: SBA, mom & pop/owner-user < \$2MM



3. Medium C & I: larger owner-user/part owner-user, local investor – \$2MM to \$10MM

4. Large C & I: multi-tenant leased investment – >\$10MM



5. Multifamily: medium / large investor grade apartments, condos

6. Specialty: gas station, fast food, hotel/motel, theater, data centers



7. MUSH: Municipal, University, School (grades 1-12), Hospitals



Construction lending is “special”

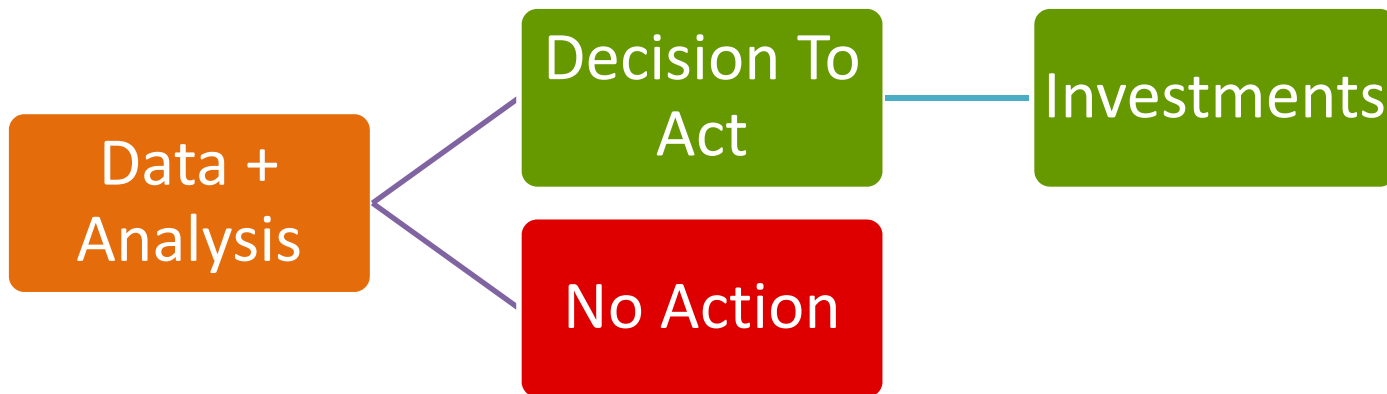
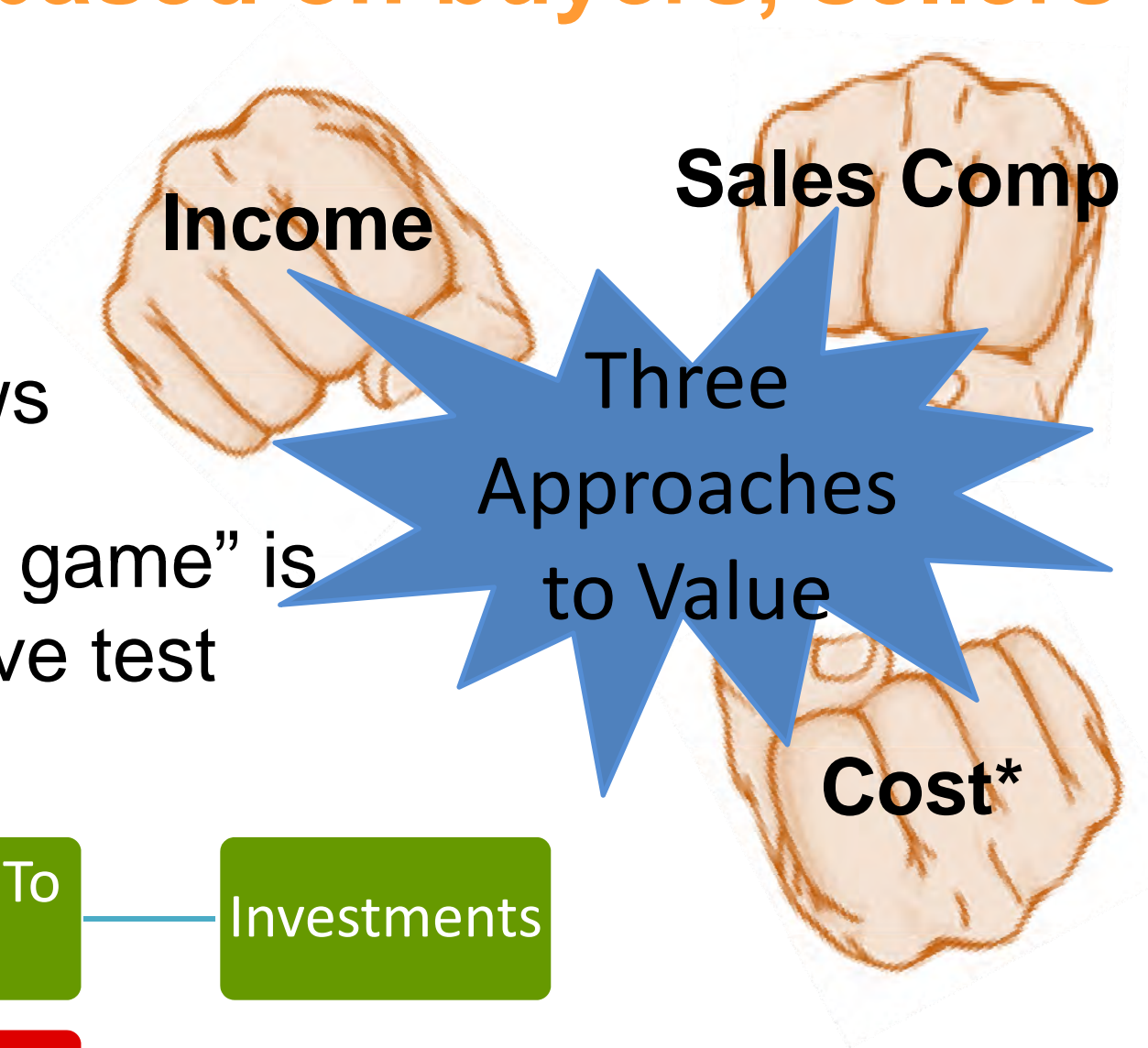
- Relying on *As Proposed* value
- Need cost savings + value beyond cost savings
- Behavioral economics make it tricky
- Lots of people and *all* need to be convinced



“Market Value” based on buyers, sellers

When owners are convinced it makes sense, all else follows

Owner’s “skin in the game” is the most conservative test

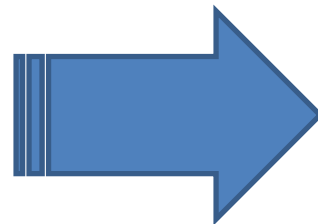


Sources of Investment/Financing Dollars

Cash - Owner CapEx budget

Debt - Traditional bank loan

Other – Utility, public, ESCO



SBA

Grant

Incentives

Solar, DG programs

PACE, PACE Plan C

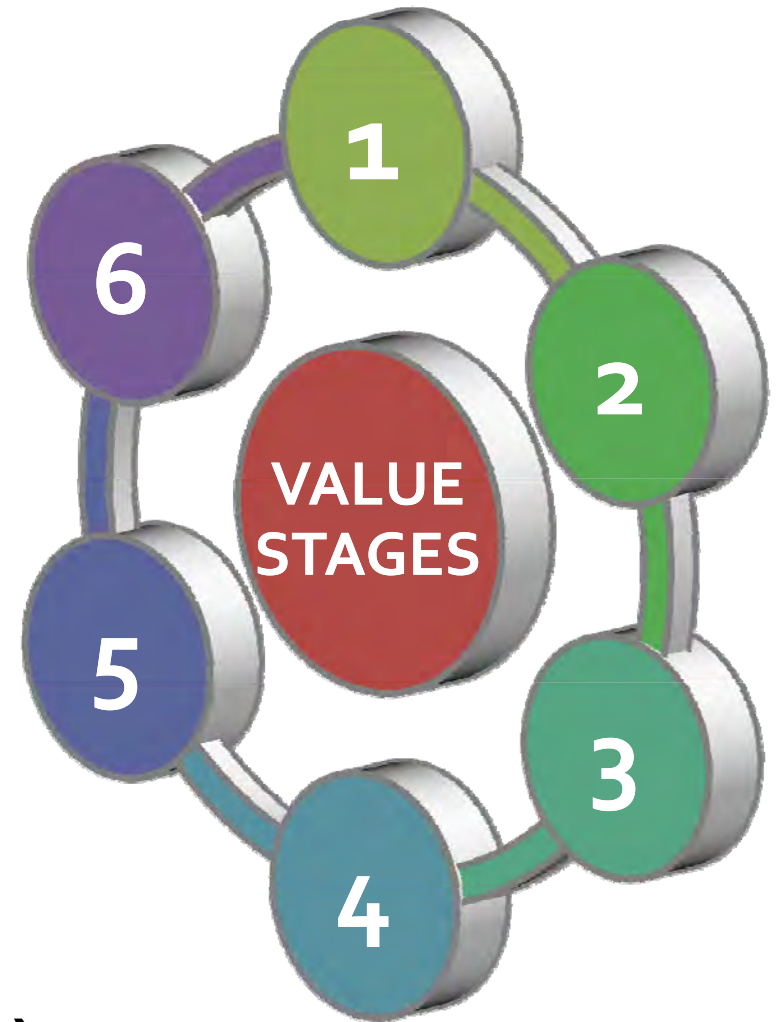
Utility On-Bill

Performance

Contracting

Spinning the value flywheel – Learn & Earn

- 1. As-Is, where-Is**
historic operation baseline
- 2. Fruit on the ground**
building Maintenance
- 3. Low Hanging Fruit**
payback < 2 years
- 4. Medium Payback**
2-7 years
- 5. Long Payback**
>7 years
- 6. Net Zero (Energy/Resources)**
ultimate goal



Deep Retrofits: Value Beyond Cost Savings

Hard Internal

- Expense Savings
- Reversion

Soft Internal

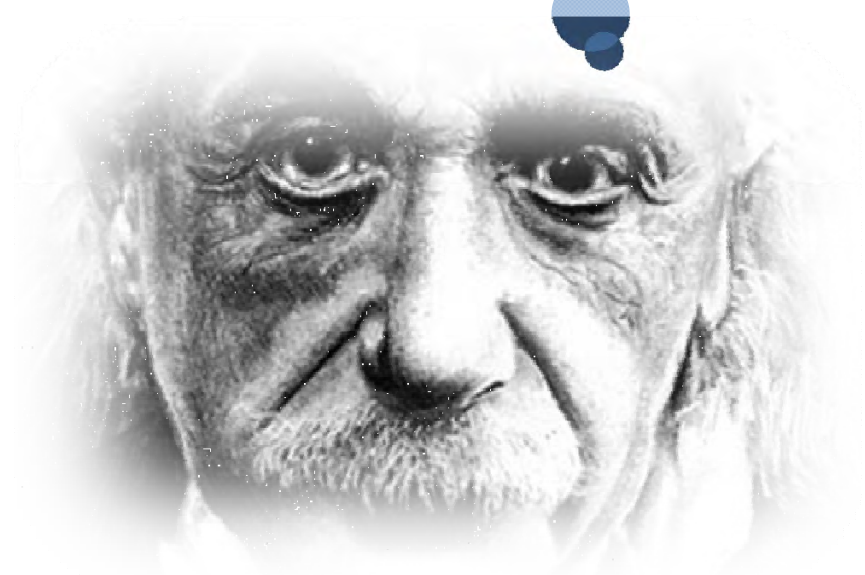
- Productivity
- Employee Attraction

Soft External

- Reputation
- Corporate Mandate

Credit enhance

"Not everything that counts can be counted, and not everything that can be counted counts."



Operating data + Analysis = Reports

“How much money are you losing?”



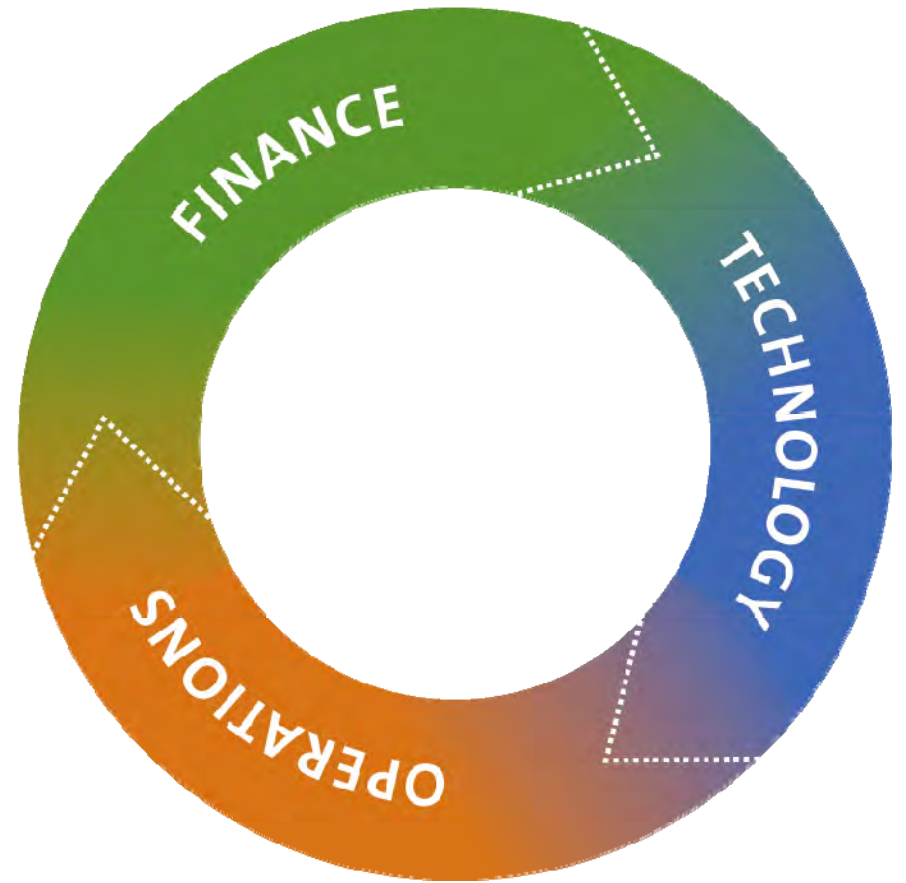
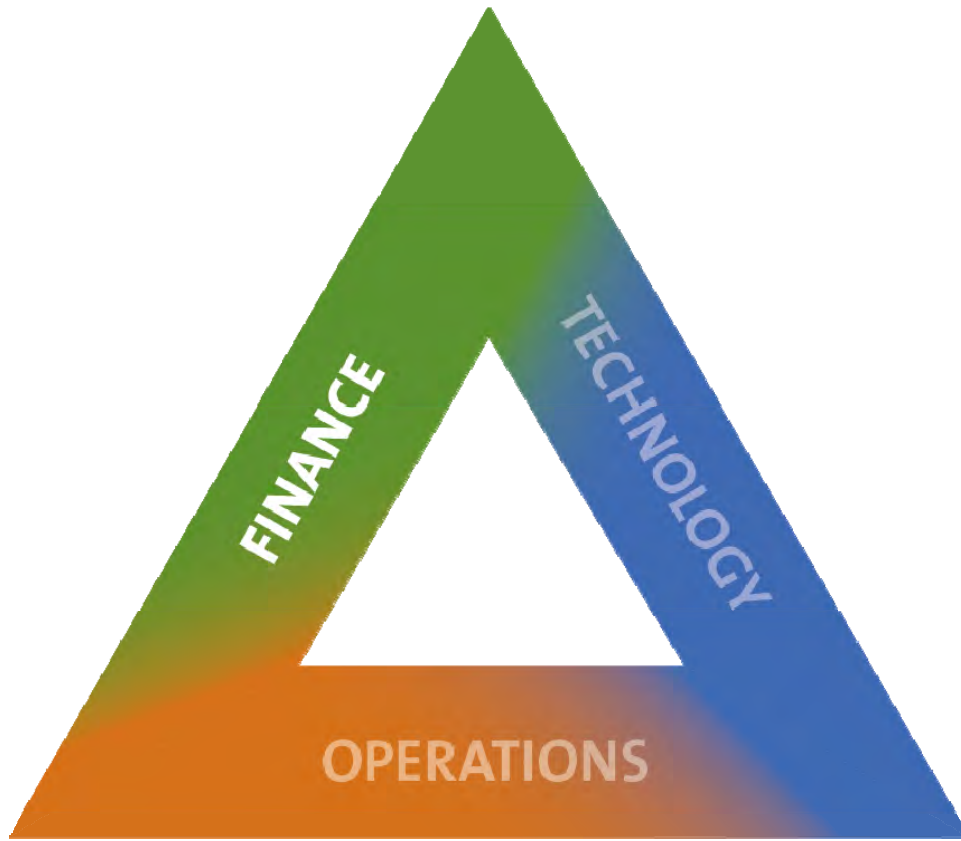
Audit = Action



The Resource Appraisal:
a new type due diligence
report is needed



Organizational behavior changes

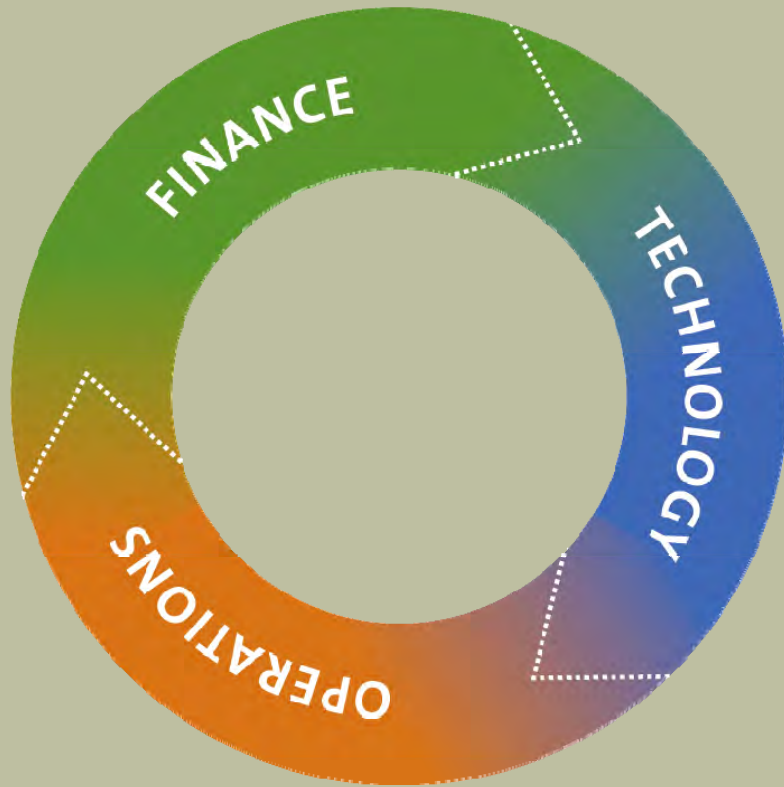


Building Management System is the linkage

- Performance monitoring is an investment, not a cost
- Payback on reliability, visibility, lower risk + record keeping
- Monitors the *Resource Quintet* –
Energy, Water, Waste, Carbon, IEQ (Interior Envir. Quality)



CONCLUSIONS



1. Define risk, money will follow
2. Banks and appraisers follow markets, not the other way
3. *As Proposed* construction lending is risky, credit enhance
4. Better due diligence is happening now
5. Retrofits are a management process, not an event that “ends”

■

Thank You !

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