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Commercial Property Assessment Clean Energy

Fresh Financial Solutions for Client Challenges

Who We Are

Ebee Management Group is your partner for start-to-finish planning, financing, development, and management of commercial projects.

Skills & Expertise

- Financial Intermediary
 - Conventional Debt
 - Commercial PACE
 - Mezzanine / Bridge
 - Equity
- Engineered Energy Modeling
- ASHRAE Energy Auditing
- Tax Credit, Incentive and Rebate Analysis
- Construction Management



Commercial Property Assessed Clean Energy – (C-PACE)

C-PACE is an innovative financing tool that gives owners of commercial, industrial and multi-family properties access to long-term fixed-rate financing for energy efficiency, water conservation and renewable energy projects.

Where are you putting your energy?

Program Benefits

- 100% financing including soft costs
- Preserves owner's capital for other uses
- Replaces higher cost investor capital
- Energy savings offsets cost of financing
- Non-recourse to borrower
- Off-balance sheet funding
- Competitive fixed-rate up to 30 years
- Secured by special assessment
- Debt transfers with ownership



Financial Impact – Capital Improvements

- No upfront costs
- Cash flow positive from day one
- Replaces higher cost debt
- Frees up operating and capital budgets
- Increases property value
- Reduces operating expenses

Capital Improvement Funding Example

Financing Scenarios Comparison Summary			
	Self-Funded	Conventional Loan	PACE Financing
Debt Financing	\$0	\$4,000,000	\$5,000,000
Out-of-Pocket Equity Investment	\$5,000,000	\$1,000,000	\$0
Energy Savings (First Year)	\$537,415	\$537,415	\$537,415
Annual Debt Service Payment	\$0	\$898,508	\$446,241
Free Cashflow Impact Year 1	(\$4,462,585)	(\$1,361,093)	\$91,174
Capitalization Rate	7.00%	7.00%	7.00%
Value to Property Owners (FCF/Cap Rate, if positive)	\$0	\$0	\$1,302,486
Years to Positive Project Cashflow	9.1 Years	10 Years	Immediately
Cost of Capital (Assume Equity Costs 20%)	20.00%	7.20%	6.29%

Commercial Development Application

- Funds up to 30% of as stabilized appraised value
- Can be used for new construction, renovation and refinancing in selected markets
- Replaces higher cost equity or 3rd party investment
- Debt is non-recourse to owner

Requirements for Term Sheet:

- Appraisal
- Construction Budget
- Energy Audit

CASE STUDIES

Ebee has completed more than 100 C-PACE funded projects to date with more than 20 projects currently under management.

Energy efficient construction, simplified

Coil Steel Manufacturer - Retrofit



Steel Processing

- Project cost: \$ 5,907,000
- C-PACE funding: \$ 4,900,000
- Rebates: \$ 287,000
- Annual savings: \$ 140,211

"Ebee came in and saved our project. The bank was getting tight with our line of credit, so we called Ebee who insisted on a new appraisal. They ran an audit and got us funded in time to make our contractors whole and finish the project."

Regency Plaza

Renovation

Surgical/Office Campus



Medical Office and Surgical Center

- Project cost: \$ 2,310,000
- C-PACE funding: \$ 2,310,000
- Rebates: \$ 117,000
- Annual savings: \$ 89,216

“Ebee underwrote my project, worked with my GC, my bank, and got my project financed in under 60 days — from start to finish. I can not believe how effective their team is.”

Pincanna

Refinance Grow & Processing



Cannabis Cultivation and Processing

- Project cost: \$ 7,700,000
- C-PACE funding: \$ 4,250,000
- Rebates: \$192,000
- Annual savings: \$ 909,216

“Starting with the first call I knew our project was in good hands. The energy audit was smooth and Ebee had a term sheet for us in 17 days.”

CONTACTS:

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OVERVIEW OF COMMERCIAL PACE FINANCING

BakerHostetler

Lucas Witters
February 28, 2023



For Internal Discussion Only

Summary

- **Property Assessed Clean Energy (“PACE”) - financing for energy efficiency improvement projects**
 - Financing to property owners repaid and/or secured by special assessments on the property
- **Federal, State, and Local Policy Frameworks**
 - Executive agencies have produced guidelines/best practices
- **Key Principles**
 - Energy improvements should pay for themselves
 - Special assessments should not extend beyond useful life of energy efficiency improvements
 - Special assessments should not be accelerated upon payment default

DOE Guidance for States

- **Program Set Up Process**
 - State legislature adopts enabling legislation
 - State or local decision making bodies convene to start program
 - Guidelines established to supplement enabling legislation
 - Local governments join program or start their own

- **Project Approval and Financing**
 - Public or third-party administrator approves projects
 - Tax assessment placed on property and financier provides project capital
 - Contractor completes eligible improvements
 - Property owner pays for complete work via a property tax assessment
 - Assessment payments remitted back to lender

Ohio Program

- **Ohio Moved Quickly to Follow Federal Guidance**
 - Initially authorized PACE for solar energy improvements in 2009
 - Now expanded to cover other energy improvements including certain solar, geothermal, wind, biomass, or gasification facilities as well as any other improvements fixed to the real property that reduce or support the reduction of energy consumption or support production of clean, renewable energy

- **Special Assessment through Energy Special Improvement Districts (ESIDs)**
 - Special improvement districts authorized under O.R.C. Chapter 1710 specifically for energy improvement projects
 - Governed by nonprofit corporations designated for that purpose
 - Most major metropolitan areas now covered by an existing ESID
 - Easy to add parcels within participating municipalities and townships

Financing Structures

- **Public**
 - Some port authorities or other entities may provide financing through loans or bond issuances
- **Private**
 - Market of private lenders offering C-PACE loans secured by special assessments
- **Intercreditor Issues**
 - Special assessment creates tax lien that takes priority over recorded mortgages
- **Other Incentives**
 - C-PACE financing generally won't preclude other state and federal tax incentives for energy efficiency improvements

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Josef Pipoly

Josef Pipoly (Founder) – Josef Pipoly is the founder of Ebee Management Group — a full-cycle construction and esoteric debt leader recognized for delivering innovative development and financing solutions. Josef is also the founder of Bridgewater Capital, a private equity real estate firm that offers access to institutional-grade commercial real estate investments across the Midwest. Founded in 2020, Bridgewater’s invested in approximately \$600MM in real estate deals across the spectrum of asset classes. Josef is a member of the NAIOP, NCIA, ICSC and a nationally recognized expert in Commercial PACE and intermediary transactions with over 150 successfully transacted deals. Josef is an avid golfer and a graduate from Miami University.

Biographical Information

Lucas L. Witters, Partner, BakerHostetler, Cleveland
216.861.7068 lwitters@bakerlaw.com

A partner in BakerHostetler's income tax group, Lucas Witters focuses his practice on tax-advantaged project finance and related planning and controversy.

He represents nonprofit and for-profit developers and other clients in the creation and implementation of tax efficient financing and transaction structures. Lucas also assists both individual and institutional clients with income tax planning and controversy.

Select Experience

- Assisted with the representation of a tax exempt organization's \$25 million redevelopment of an historic building in Cleveland, Ohio, into a charter school using federal and state new markets tax credits and federal and state historic rehabilitation tax credits.
- Assisted with a joint venture between RIMA S/A, a large Brazilian company, and a U.S. private equity firm in connection with a \$42 million federal and \$10 million Mississippi state NMTC financing to develop a \$200 million silicon metal production facility in Mississippi. The project also received senior financing from a German financial institution that was guaranteed by the German government. In addition, the state of Mississippi and the local government provided various grants and incentives for the project.
- Assisted with the representation of a project sponsor on the ground-up development and financing of a \$1.5 billion state-of-the-art steel mini-mill in Northeast Arkansas, selected by IJGlobal Americas (formerly Project Finance Magazine) as the 2014 North American Mining and Metals Deal of the Year. Project capital sources included equity from financial and strategic investors, senior secured debt from private and government lenders, mezzanine debt, EB-5 financing, and various grants and other financial incentives from state, county and municipal governments and commercial partners.
- Assisted with the representation of a new markets tax credits leverage lender group in connection with the development of a \$25 million Ace Hotel to be located in East Liberty, Pennsylvania. The project was financed with federal new markets tax credits and federal historic tax credits.

Education

- J.D., New York University of Law, 2013
- B.S., The Ohio State University, 2009, *magna cum laude*