

Underwriting Efficiency: A Practical Approach

Capturing the value of efficiency through mortgage finance

Uncommon Expertise. Unmatched Impact.



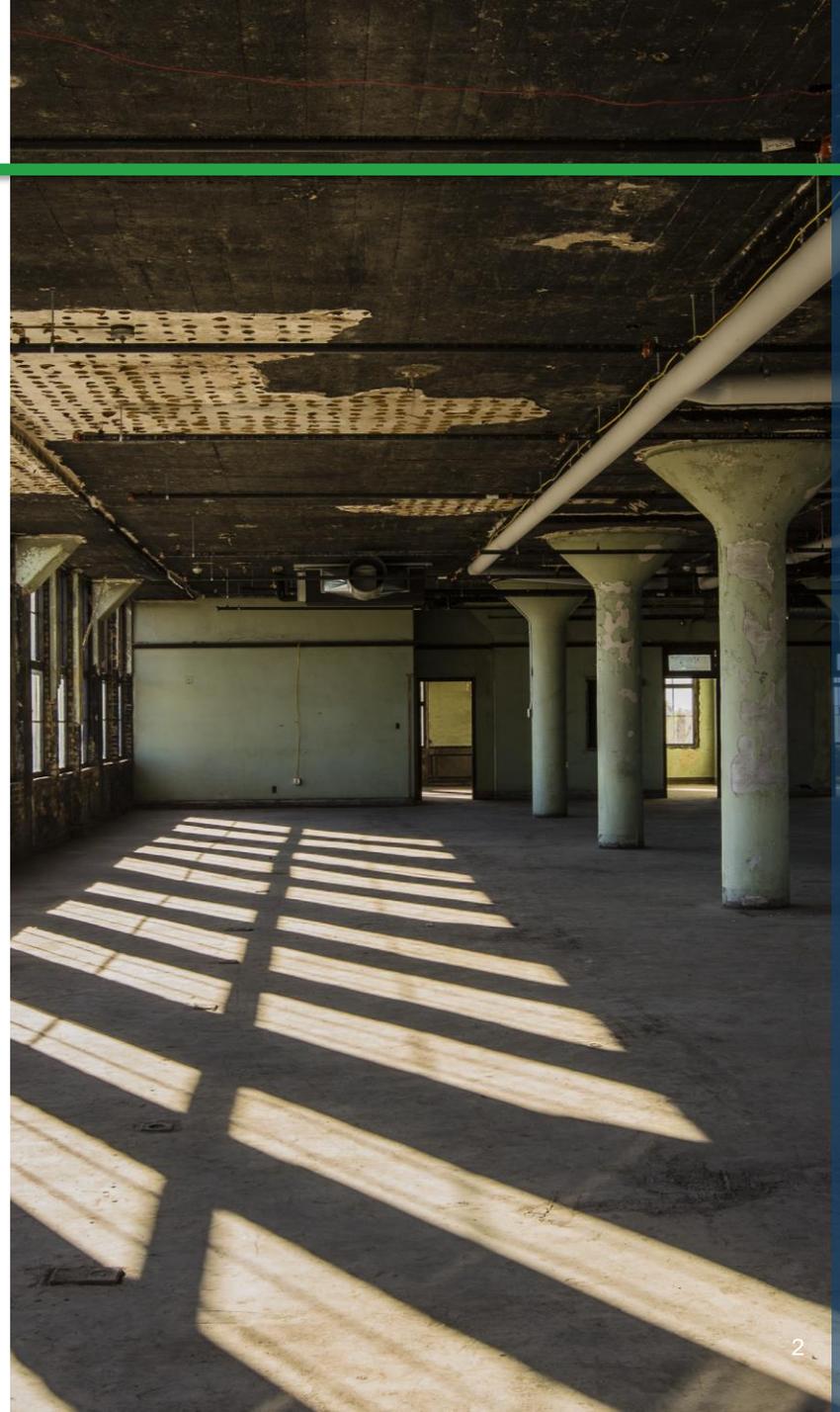
**Community[®]
Preservation
Corporation**

MISSION-DRIVEN SINCE 1974

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

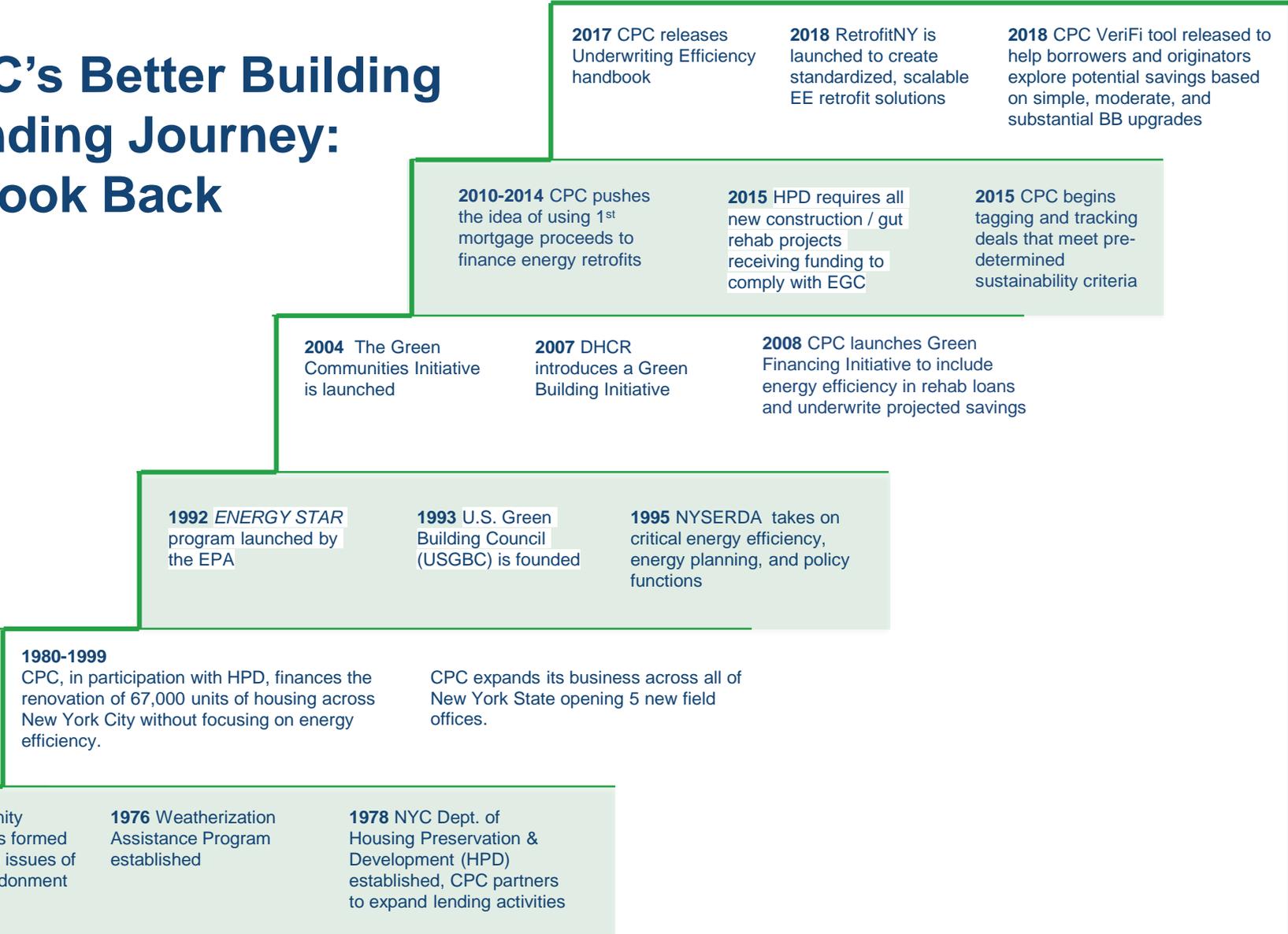
CPC is a nonprofit affordable housing and community revitalization finance company providing flexible capital solutions, fresh thinking and a collaborative approach to the complex issues facing communities.

Since 2015, CPC has financed over 7,000 units of environmentally sustainable housing.





CPC's Better Building Lending Journey: A Look Back



Sustainability at CPC

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

Lending & Originations

- › Underwrite to projected savings or building performance
- › Support and promote simple energy efficiency measures and new technologies

Evaluation

- › Create criteria and reporting procedures
- › Promote energy and water benchmarking

Portfolio Performance

- › Connect costumers to incentives
- › Integrate efficiency into construction inspections
- › Develop Maintenance + Operations standards for different levels of building performance
 - (ie. EGC, LEED, or Passive House/High-Performance)

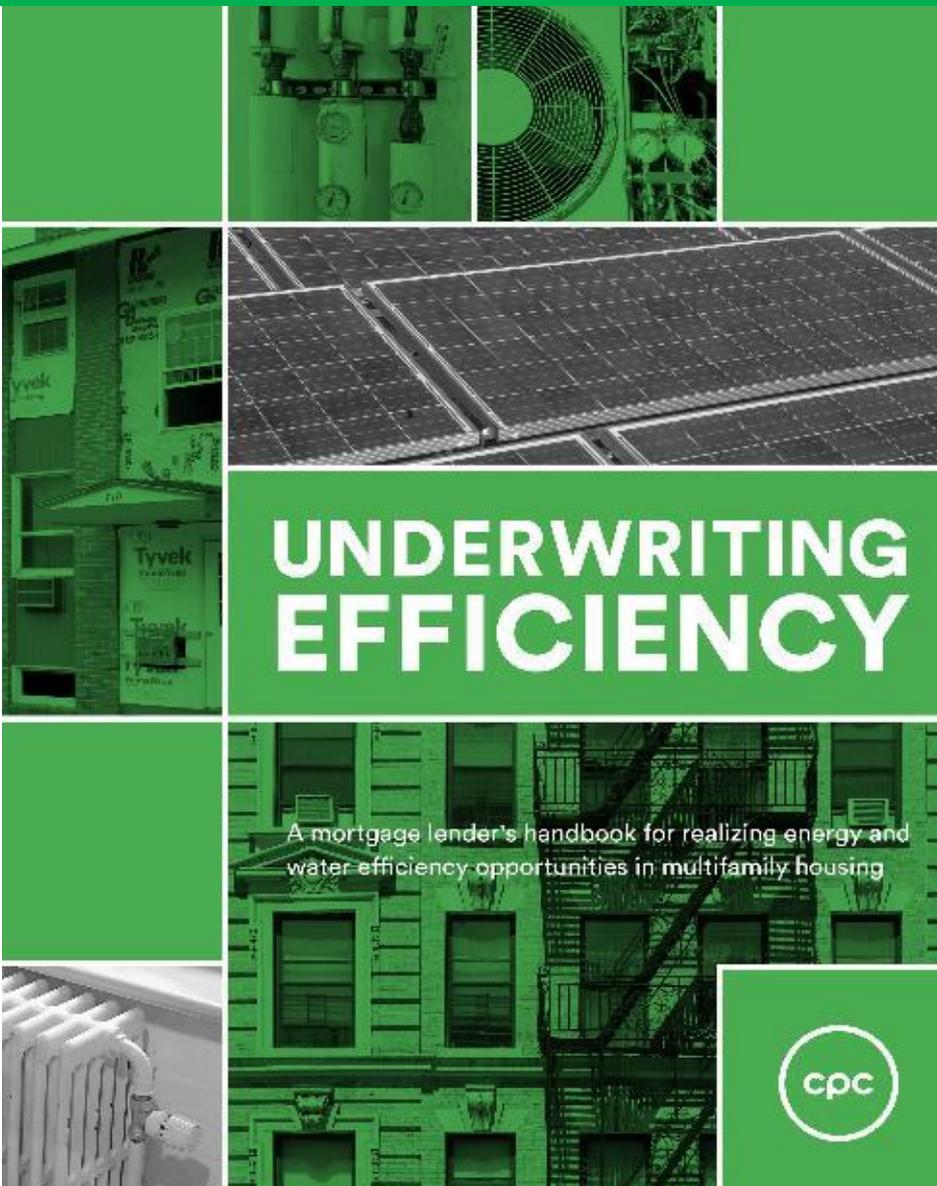
Sharing Best Practices

A Practical Approach:

- Underwrite to projected savings
- Increase loan size
- Mortgage proceeds cover incremental cost

Positive Impact:

- Low cost, long term, capital
- Quality retrofits
- High performance buildings
- Long term economic stability



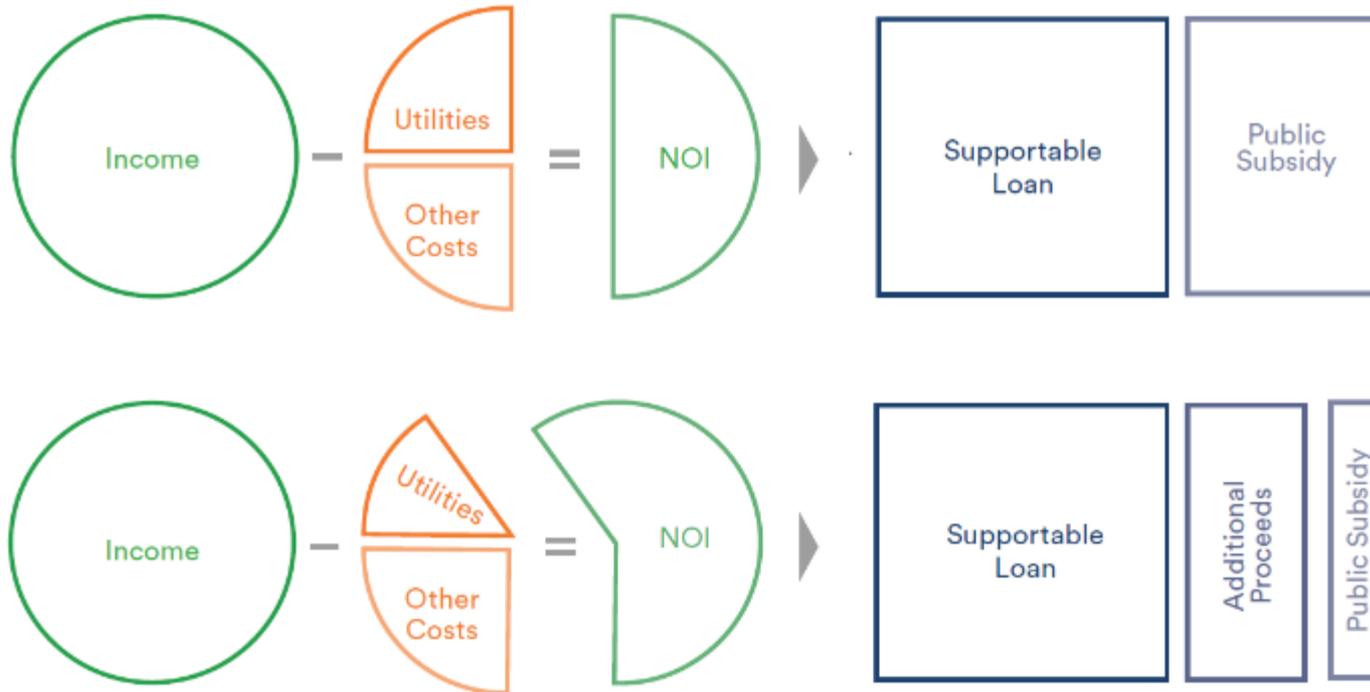
UNDERWRITING EFFICIENCY

A mortgage lender's handbook for realizing energy and water efficiency opportunities in multifamily housing

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Underwriting Efficiency



Efficiency & Cash Flow

Efficiency reduces utility bills thereby increasing NOI and overall property value. Underwriting a portion of projected energy savings supports additional private loan proceeds to pay for improvements while reducing the need for public subsidy dollars. Efficiency savings beyond conservative underwriting create additional, ongoing cash flow to the borrower.

Underwriting Process

When CPC underwrites projected energy savings our loan officers take time to review “energy reports” and evaluate post-construction projected 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 which should be included in underwriting based on scope of work, projections, ownership, and tenancy.

3. Monetize Savings

Incorporate results of the savings and risk analysis into the final underwriting and increase cash flow which can be used for debt service to increase loan proceeds.

4. Finalize Loan Terms

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





599 River Street, Troy– Tapestry on the Hudson

CPC/Private Funding: \$1,994,558

Total Units Added: 67

Borrower: The Community Builders, Inc.

- ✓ **Certifications: NYSERDA & Enterprise Green Communities**
- ✓ **HE System: Geothermal Heat Pump**

Expected energy savings: 33% reduction in total consumption

Expected cost savings: \$30,000 reduction in annual utility cost

Additional leverage through energy savings: **\$350,471**

Additional features:

- ✓ Sub-metering tenant water and electricity
- ✓ Interior and exterior LED lighting
- ✓ Low-flow plumbing fixtures
- ✓ Heat recovery ventilation
- ✓ Green roof and community garden utilizing rain water harvesting and bio-retention



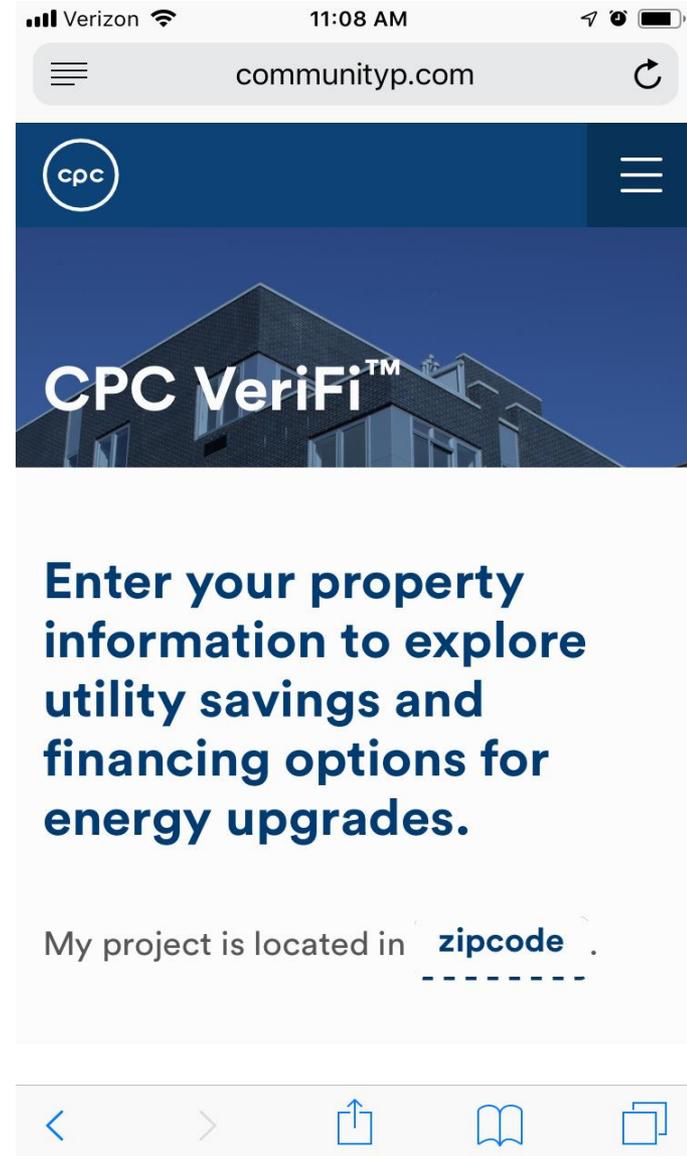
Sharing Best Practices

CPC VeriFi

Using data collected from thousands of multifamily buildings, CPC VeriFi calculates opportunities for cost savings driven by energy and water upgrades and improvements.

Visit CPCVeriFi.com to access:

- › A scope of work to guide energy and water efficiency measures.
- › Capital to finance simple, moderate, and substantial retrofits.
- › Customized utility cost savings.



What's Next for CPC?

New York State has set ambitious goals for how practices need to change and buildings need to improve in order to hit 80% GHG reduction by 2050.

- Develop the next iteration of the Underwriting Efficiency handbook focused on financing high-performance, Passive House, and Net Zero Energy (NZE) buildings
- Host a Carbon Neutral Summit
 - Collaborate with partners in our market on a common definition of “carbon neutrality” and identify pathways toward a carbon neutral building stock
- Continue to support RetrofitNY and affordable multi-family deep energy retrofit projects
- Demystifying high-performance buildings
 - Work with our state, city, and private partners to increase access to performance and cost data around high-performance buildings
- Aggregate performance data to develop a “Green” M&O underwriting standard for energy, water, and maintenance on high-performance buildings
 - Expand CPC VeriFi for use as an underwriting tool

Thank You

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