



Interpretive Guidance of the Technical Standards Manual v3.0 Section II, Underwriting and Technical Standards, Savings to Investment Ratio (SIR) In Complete Redevelopment Projects

The purpose of this guidance is to clarify language added to the Technical Standards Manual v3.0 regarding Calculating SIR for Redevelopment Projects.

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Calculating the SIR for Redevelopment projects

Complete redevelopment projects include expansion of existing buildings, tear down and rebuild, or new development on a previously developed parcel. The baseline for redevelopment projects is established using the current Texas state energy code, which at the time of printing is 2015 IECC/ASHRAE 90.1-2013, OR the local governing energy or water code, whichever is more stringent.

The redevelopment must achieve at minimum 5% energy or water performance above baseline, measured in energy or water use per square foot. This information will be used to determine the savings calculations including avoided annual electricity costs and annual demand charge reduction.

SIR will be calculated as discussed above: $SIR = Savings / Investment$

The incremental costs (code compliant to above code) versus incremental savings (savings of more efficient equipment compared to code) should be included in the engineering analysis.

For purposes of calculating SIR for redevelopment projects, the incremental savings resulting from above code measures divided by incremental costs (including interest on the incremental costs) above code for those measures can serve as the basis for PACE-qualifying SIR. The full cost of the measures (hard and soft costs) can be PACE-financed, subject to the 25% Loan to Value (LTV) limit.

If: Incremental savings/incremental costs > 1; Then: PACE-eligible project costs up to 25% of the assessed/appraised property value (LTV) can be PACE-financed.

These projects must still meet all other KPT Technical and Underwriting Standards.