S&P Global
Ratings

Green Transaction Evaluation

PACEWELL 8 LLC's Term Notes Series 2023-1

March 27, 2023

PACEWELL 8 is a Delaware limited liability company and special purpose vehicle (SPV) created to issue $256.58 million in private placement term notes series 2023-1 (class A and B), secured by a portfolio of commercial property assessed clean energy (C-PACE) assets in 15 states plus Washington, D.C. C-PACE programs provide low-cost financing of a variety of energy efficient, renewable energy, water conservation, and storm protection measures for commercial property owners. The owners repay the financing via a special tax or an annual or semiannual assessment on the property's tax bill.

For purposes of our Green Transaction Evaluation environmental benefits analysis, we have considered 93% of the underlying collateral pool to be in scope, which include green building construction and refurbishment projects, solar photovoltaic (PV) installations, and water conservation projects. The other 7% includes boilers, elevators, seismic work, and other projects that are not in scope for our environment benefit analysis but are fully eligible projects under C-PACE programs.

Greenworks Lending began doing business as Nuveen Green Capital in January 2022 and provides capital for funding energy performance-enhancing real estate projects for commercial properties.

In our view the transaction Is aligned with:

✓ Green Bond Principles, ICMA, 2021

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Environmental benefit score

82/100

Governance and reporting opinion

Limited | **Satisfactory** | Strong | Advanced

Transaction Evaluation

82/100

A higher score indicates greater environmental benefit

Project Description

PACEWELL 8 LLC is issuing the term notes series 2023-1 to finance renewable energy, energy efficiency, water conservation, seismic retrofit, weather resiliency, whole-building energy model improvements, and other commercial improvement projects. All proceeds of the financing are to be used to purchase C-PACE assets originated by Nuveen Green Capital.

State legislation establishes C-PACE programs and local governments approve them, with a purpose of providing low-cost financing for energy and water efficiency retrofits, distributed renewable energy generation, and (in some locations) storm resilience and seismic improvements for commercial properties. A property owner repays C-PACE financings via an annual or semiannual assessment or special tax on their tax bills or in another manner. These programs enable business owners to cover the upfront cost associated with environmentally beneficial property improvements and repay the financing over longer terms than typically commercially available for similar projects.

The portfolio demonstrates geographical and technological diversification with projects spread across 15 states and Washington, D.C. We consider 93% of the underlying collateral to be in scope for our Green Transaction Evaluation. Of the $237 million allocated to projects we consider in scope, 99% is allocated to green building projects (including new build and energy efficiency retrofits), about 1% for solar PV green energy projects and water conservation measures in commercial buildings. We allocate the financing fees to the proceeds on a weighted basis.

At this stage, S&P Global Ratings cannot provide an opinion on the resilience of the projects/assets to extreme weather and climate change as part of this Green Transaction Evaluation.

Summary of environmental benefit score

Location	**Environmental sector**	**Environmental project type**	**KPI(s)**	**Benefit ranking**	**Hierarchy score and tier**	**Benefit score**	**Use of proceeds (mil. xxx)**
Connecticut	Green energy	Solar PV	Carbon intensity, waste generation, water use	21	Score: 100 Tier: 2	80.25	1.17
Washington	Green energy	Solar PV	Carbon intensity, waste generation, water use	20	Score: 100 Tier: 2	80.0	0.39
Texas	Green energy	Solar PV	Carbon intensity, waste generation, water use	20	Score: 100 Tier: 2	82.5	0.65
California	Green buildings	New build: commercial	Carbon intensity, water use	42	Score: 90 Tier: 3	75.6	18.50
Colorado	Green buildings	New build: commercial	Carbon intensity, water use	80	Score: 90 Tier: 3	87	2.91
Connecticut	Green buildings	New build: commercial	Carbon intensity, water use	61	Score: 90 Tier: 3	81.3	6.00

District of Columbia	Green buildings	New build: commercial	Carbon intensity, water use	42	Score: 90 Tier: 3	75.6	13.41
Georgia	Green buildings	New build: commercial	Carbon intensity, water use	70	Score: 90 Tier: 3	84.0	5.04
Illinois	Green buildings	New build: commercial	Carbon intensity, water use	61	Score: 90 Tier: 3	81.3	19.41
Maryland	Green buildings	New build: commercial	Carbon intensity, water use	70	Score: 90 Tier: 3	84	16.74
Massachusetts	Green buildings	New build: commercial	Carbon intensity, water use	70	Score: 90 Tier: 3	84	2.12
Nebraska	Green buildings	New build: commercial	Carbon intensity, water use	70	Score: 90 Tier: 3	84	3.71
New York	Green buildings	New build: commercial	Carbon intensity, water use	51	Score: 90 Tier: 3	78.3	8.82
Oklahoma	Green buildings	New build: commercial	Carbon intensity, water use	70	Score: 90 Tier: 3	84	8.13
Pennsylvania	Green buildings	New build: commercial	Carbon intensity, water use	70	Score: 90 Tier: 3	84	23.90
Texas	Green buildings	New build: commercial	Carbon intensity, water use	70	Score: 90 Tier: 3	84	36.66
Washington	Green buildings	New build: commercial	Carbon intensity, water use	23	Score: 90 Tier: 3	69.9	3.72
Florida	Green buildings	New build: commercial	Carbon intensity, water use	70	Score: 90 Tier: 3	84	38.38
Ohio	Green buildings	New build: commercial	Carbon intensity, water use	80	Score: 90 Tier: 3	87	11.25
California	Green buildings	Refurbishment: commercial insulation	Carbon intensity, water use	50	Score: 80 Tier: 4	69.5	0.42
Connecticut	Green buildings	Refurbishment: commercial HVAC	Carbon intensity, water use	80	Score: 80 Tier: 4	80	8.20
Illinois	Green buildings	Refurbishment: commercial insulation	Carbon intensity, water use	70	Score: 80 Tier: 4	76.5	0.56
Illinois	Green buildings	Refurbishment: commercial LED	Carbon intensity, water use	70	Score: 80 Tier: 4	75.6	0.52

Illinois	Green buildings	Refurbishment: commercial insulation	Carbon intensity, water use	30	Score: 80 Tier: 4	62.5	0.53
Illinois	Green buildings	Refurbishment: commercial HVAC	Carbon intensity, water use	80	Score: 80 Tier: 4	80	1.91
Oklahoma	Green buildings	Refurbishment: commercial LED	Carbon intensity, water use	80	Score: 80 Tier: 4	80.0	0.90
Oklahoma	Green buildings	Refurbishment: commercial insulation	Carbon intensity, water use	80	Score: 80 Tier: 4	80	0.50
Texas	Green buildings	Refurbishment: commercial insulation	Carbon intensity, water use	40	Score: 80 Tier: 4	66	0.67
Texas	Green buildings	Refurbishment: commercial HVAC	Carbon intensity, water use	80	Score: 80 Tier: 4	80	1.03
Texas	Green buildings	Refurbishment: commercial LED	Carbon intensity, water use	80	Score: 80 Tier: 4	80.0	0.61
Illinois	Water	Conservation: commercial office building	Carbon intensity, water use	50	Score: 50 Tier: 7	50	0.52
			Weighted average benefit score and total use of proceeds		82		237.25

Note: To disaggregate the score breakdown, please refer to "Analytical Approach: Second Party Opinions and Transaction Evaluations," published Dec. 7, 2022.

Transaction Evaluation Summary

Environmental benefit

Score **82/100**

Supporting the robust environmental benefit score of 82 are C-PACE assets secured by renewable energy, energy efficiency, water conservation, and new green building construction and retrofit projects. These projects play a role in driving systemic decarbonization and sustainable water use, in our view.

Use of proceeds

Alignment ✓ The transaction is aligned with this component of the Green Bond Principles.

Commitments score	Limited	**Satisfactory**	Strong	Advanced

The issuer commits to using net proceeds of the notes to finance projects eligible under state-specific C-PACE guidelines where the project is developed.

Process for project evaluation and selection

Alignment ✓ The transaction is aligned with this component of the Green Bond Principles.

Commitments score	Limited	**Satisfactory**	Strong	Advanced

The issuer communicates the process in which it selected C-PACE eligible projects for funding. All projects must meet strict project eligibility criteria underlying the C-PACE programs in each state.

Management of proceeds

Alignment ✓ The transaction is aligned with this component of the Green Bond Principles.

The issuer commits to tracking funds allocated to eligible projects until proceeds are fully dispersed. Undisbursed proceeds have specific subaccounts in which funds will be deposited. In addition, the issuer will only invest funds in liquid investments such as commercial paper or U.S. Treasury securities.

Reporting

Alignment ✓ The transaction is aligned with this component of the Green Bond Principles.

Disclosure score	Limited	**Satisfactory**	Strong	Advanced

The issuer commits to reporting on the allocation and impact of proceeds annually. It will provide information to the securities administrator, which will provide information available to noteholders on the investor website.

Transaction Evaluation Assessment

Environmental benefit

The environmental benefit score provides a relative ranking of the environmental benefits of projects financed by a given financial transaction. The score is a weighted average of the project's benefit ranking based on project type and location, and the project's placement within our environmental contribution hierarchy.

Score **82/100**

Largely supporting the environmental benefit score of 82 is the allocation of proceeds to C-PACE assets that are secured by mostly green building construction and refurbishment and energy efficiency projects. There is also a small portion dedicated to renewable energy and water conservation projects. The environmental benefit assessment considers the benefit of each technology based on the carbon intensity, water use, and (for green energy projects only) the waste generation of each project's state. On an aggregate basis, we consider the carbon intensity of the buildings sector and water stress for all financed projects to be medium-high.

The renewable energy projects, which consist entirely of solar PV systems, are in Connecticut, Texas and Washington, D.C. The low carbon intensity of the regional grid mix in Connecticut and Washington, D.C. limits the net benefit ranking in a global context compared with similar projects in more carbon-intensive regions such as China and India. However, we consider green projects, including solar power, long-term green solutions and therefore place them at the higher end of our carbon hierarchy, which strengthens the overall environmental benefit score.

We consider the benefit score of green building projects relatively high, including new construction and energy efficiency improvements, because a significant portion of the green building projects are in Texas, Florida, and Pennsylvania. These states have a high benefit ranking in a global context because of the carbon intensity of states' grid and building energy consumption. Green building projects fall in Tiers 3 and 4 of our carbon contribution hierarchy, below renewable energy and energy management and control projects. In our view, this provides more systemic decarbonization benefits.

A small amount of the pool is dedicated to water conservation projects in Illinois. These fall in Tier 7 of our water contribution hierarchy, providing modest environmental benefits such as the alleviation of water stress by reducing water demand of the commercial properties.

Use of proceeds

Our alignment opinion focuses on the commitments and clarity on how the proceeds are used. We provide an opinion on the level of commitment made in the documentation as limited, satisfactory, strong, or advanced.

✓ The transaction is aligned with this component of the Green Bond Principles.

Commitments score	Limited	**Satisfactory**	Strong	Advanced

We consider the issuer's overall use-of-proceeds commitments to be satisfactory compared with standard market practice for sustainable debt.

The issuer commits to using the net proceeds of the notes exclusively to finance eligible green assets that satisfy requirements outlined in C-PACE state program guidelines and other local government guidelines. The issuer provides a clear description of how it will allocate proceeds to eligible C-PACE projects, consisting of renewable energy, energy efficiency, green building, and water conservation projects with both new construction and retrofit projects. The assets include: solar PV; LED lights; heating, ventilation, and air conditioning; and building envelope technologies. Although not explicitly stated in the transaction documentation, we believe the projects contribute to the environmental objectives of climate change mitigation and sustainable water management.

The transaction's structure provides strict controls that govern the exclusive use of proceeds for eligible projects. The issuer, as an SPV, has a well-defined investment mandate related to C-PACE programs, which provides certainty that it will use the net proceeds of the notes exclusively to finance eligible green assets.

Process for project evaluation and selection

Our alignment opinion focuses on the commitments and clarity on the process used to evaluate and select eligible projects to fund with the proceeds of the sustainable finance. We provide an opinion on the level of commitment made in the documentation as limited, satisfactory, strong, or advanced.

✓ The transaction is aligned with this component of the Green Bond Principles

Commitments score	Limited	**Satisfactory**	Strong	Advanced

We consider the issuer's overall use-of-proceeds commitments to be satisfactory compared with standard market practice for sustainable debt.

In our opinion, the issuer clearly communicates the process by which it identifies and selects projects eligible for funding. All projects must meet strict project eligibility criteria underlying the C-PACE programs in each state. State administrators are responsible for ensuring that all C-PACE applications meet the statutory requirement for project eligibility. Some state program guidelines also include market-based standards with which the projects must comply. For example, insulation projects in California must be Energy Star labeled. However, the project selection process doesn't clearly incorporate market-based taxonomies, standards, or certification guidelines for all eligible project categories among all of the states.

The issuer provides information on how it identifies and manages some perceived social and environmental risks associated with the eligible projects within its underwriting policies and procedures. As part of this process, the issuer conducts due diligence, checks on property owners to identify any social risks, screens properties for potential environmental contamination, and ensures all assets comply with applicable laws and regulations and have obtained necessary licenses, permits, and certifications required for property construction and operation. The issuer may exclude projects that pose outsize social, legal, or environmental risks from its pool, such as properties where environmental remediation is necessary.

Management of proceeds

Our opinion focuses on how clear in the documentation is the issuer's commitment to ensure that the funds raised will continue to be dedicated to eligible sustainability projects throughout the life of the sustainable finance funding.

✓ The transaction is aligned with this component of the Green Bond Principles.

The issuer manages the proceeds under a set of strict cash management covenants that dictate the flow of net proceeds via a series of separate subaccounts, which help prevent leakage of funds and potential contamination or commingling of proceeds. The issuer will also reallocate or substitute the projects that may no longer be eligible under the C-PACE program guidelines, ensuring that proceeds are periodically adjusted to match allocations to eligible projects throughout the life of the instrument.

Reporting

Our opinion focuses on how clearly the financing documentation describes the issuer's level of disclosure and reporting practices. We provide an opinion on the level of commitment made in the documentation as limited, satisfactory, strong, or advanced.

✓ The transaction is aligned with this component of the Green Bond Principles.

Disclosure score	Limited	**Satisfactory**	Strong	Advanced

We consider the issuer's overall reporting practices to be satisfactory compared with standard market practice for sustainable debt.

The issuer will provide an administrative report to the securities administrator annually with an update on the allocation of bond proceeds until all proceeds have been disbursed. Allocation reporting will include location of the projects, property type, original/current principal balance, and disbursements remaining. The administrative report will also include estimated environmental impact performance metrics, lifetime renewable savings, lifetime energy efficiency savings, and solar PV size. The securities administrator will make the information available to noteholders on the investor website. Investors can also request additional materials, such as the PACE program guidelines per state, which include eligibility requirements for the projects. However, there is no commitment to disclose actual impacts of the projects, which we see as a limitation.

Carbon Contribution Hierarchy

	Project
Tier 2: Systematic decarbonization	Green energy: Wind power **Green energy: Solar power** Green energy: Small hydro Green energy: Large hydro (excluding tropical areas) Energy efficiency: Energy management and control
Tier 3: Significant decarbonization of key sectors through low-carbon solutions	Green transport without fossil fuel combustion **Green buildings – new build**
Tier 4: Decarbonization by alleviating emissions in intensive industries	**Energy efficient projects (industrial efficiencies and energy star products)** Green transport with fossil fuel combustion **Green buildings refurbishment**
Tier 8: Decarbonization technologies with significant environmental hazards	Nuclear power Green energy: Large hydro in tropical areas
Tier 9: Improvement of fossil fuel-based activities' environmental efficiency and impact	Fossil fuel power plants: Coal to natural gas Fossil fuel power plants: Cleaner fuel production Fossil fuel power plants: Cleaner use of coal

Water Contribution Hierarchy

	Project
Tier 2: System enhancements	Recycling wastewater to supply potable municipal water Recycling wastewater to supply non-potable water for agricultural uses Recycling wastewater to supply non-potable water for agricultural uses Wastewater treatment with no energy recovery Wastewater treatment with energy recovery
Tier 5: Marginal system enhancements	Reducing water losses in the water distribution network
Tier 6: Marginal system enhancements with material negative environmental consequences	Water desalination to supply potable municipal water
Tier 7: Demand-side improvements	Conservation measure in residential buildings **Conservation measure in commercial buildings** Conservation measure in industrial buildings Smart metering in residential buildings

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