



Third Party Utility Model for Commercial Buildings

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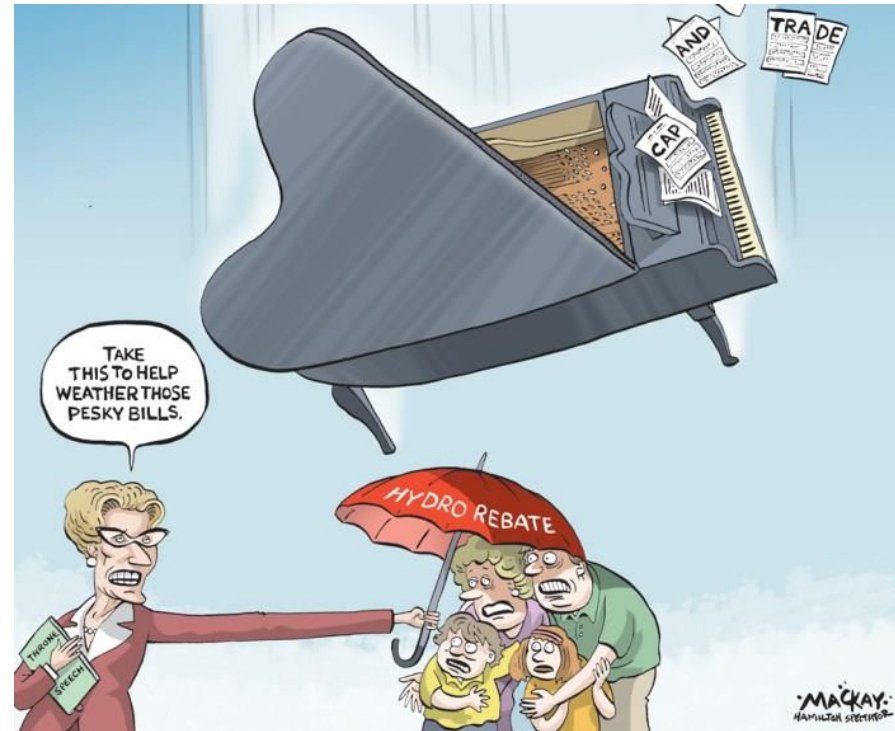
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The Climate Change Shift

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- We live in an era where climate change is beginning to impact developers from multiple angles



The Climate Change Shift

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The disconnect of what developers promote vs. care about:

- What do developers care most about? ... Capital Cost
- What do developers care less about? ... Operating Cost
- What do developers care least about? ... **Sustainability**

- What do developers promote the most? ... **Sustainability**
- What do developers promote very little? ... Operating Cost
- What do developers promote not at all? ... Capital Cost

The Challenge

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- Decisions during design period are driven by:
 - Budget
 - Technologies or features that generate immediate monetary value

Capital Costs will always trump Operating Costs

Who and What Drives Decisions?

- Lenders use traditional metrics to qualify loans
 - Targeting Loan to Value Ratios of 70 to 80%)
- Value is determined by the lender using conventional measures
 - Rental Income
 - Location
 - Features and amenities (granite countertops, hardwood flooring, etc.)

Lenders determine if Geothermal will be implemented, not the developer

The Challenge

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Long Term Energy Impact

- Carbon reduction = switch from natural gas heating to electricity
- Electricity costs are increasing at an alarming rate

The Resulting Challenge:

- Meeting carbon reduction targets without increasing energy costs for occupants

Value to Developer

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Construction Benefits

- Outdoor condensing units negatively, impacting:
 - Usable roof space
 - Esthetics
 - Noise
 - Maintenance Costs

Geothermal displaces most or all outdoor equipment providing more options for creating real estate value



The Climate Change Shift

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It Doesn't Pay to be
Green

The Geothermal Challenge

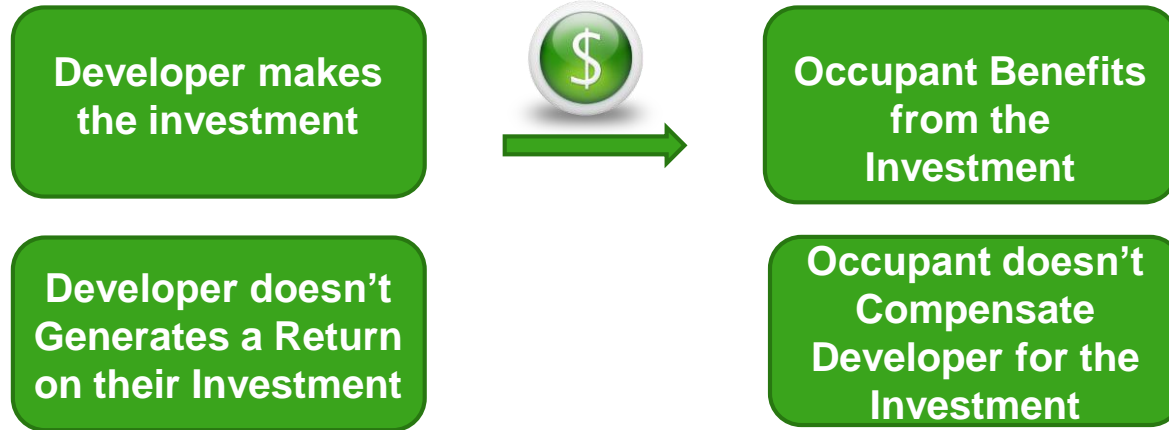
Traditional Business Model for any Feature:



Cost/Benefit Decision

The Geothermal Challenge

Business Model for geothermal:



No valuation or return mechanism =

Risky Business Proposition

The Geothermal Challenge

There are two key hurdles that have historically hindered the success of large scale Geothermal projects



Capital Cost

&



Technology Risks

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Unique Geothermal Utility Model

- Design, installation, maintenance and long-term operation with no upfront capital investment
- The PPA converts a capital cost into a long term operating expense:
 - Eliminate the entire capital and operational risk from the owner
 - Cost can be passed along to tenants as a common area expense
 - PPA charge is fully offset by operational savings (energy, water, maintenance, etc.).

Geothermal Utility cost is paid by those who benefit

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Developer Benefits

- Construction Budget Reduction (cooling towers, boilers, condensing units etc.)
- Reduce space requirements of HVAC (eliminate requirement on the roof) & possible retail value of roof space (solar panels etc.)
- Marketing and Sales Benefits of a premium green building,
- Improved Asset Valuation as a result of increased NOI
- Goodwill with city during the site plan approval process.

All of the benefits without the risk

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Occupant Benefits

- Hedging against future gas price increases & cost certainty for budgeting purposes
- Expected financial savings over the lifetime of the contract including accelerated depreciation benefits
- Peace of mind provided by geothermal system performance guarantee
- Improved real-estate market value & marketability
- A quiet rooftop green space or terrace due to the elimination of outdoor cooling equipment.

Current Projects

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The Plant

- 120,000 sf mixed use condo in Liberty Village
- Two levels of retail & office
- Occupancy late 2019

Current Projects

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Lillian Park

- 500,000 sf mixed use condo in Yonge & Eglinton
- Connected with existing buildings
- Occupancy mid 2019

Current Projects

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Brookhouse Gate

- 100,000 sf condo in Newcastle



Current Projects

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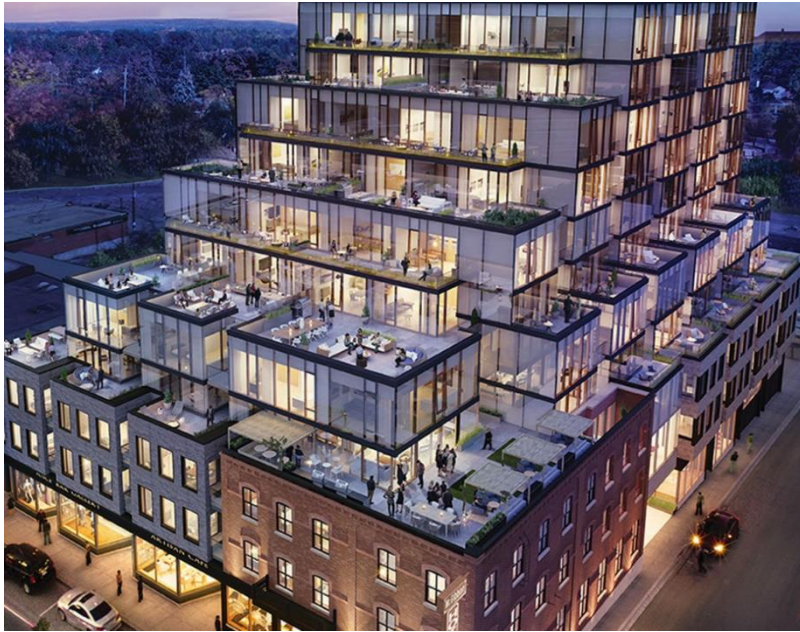


Westwood Gardens

- 320,000 sf condo in Richmond hill
- Two buildings, common parkade, main floor retail
- Occupancy late 2019

Current Projects

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McGibbon Hotel

- 180,000 sf mixed use condo in Georgetown
- Heritage project with main floor retail
- Occupancy early 2020



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Thank you