



# C-PACE Financing

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## What is C-PACE Financing?

C-PACE stands for Commercial Property Assessed Clean Energy. This financing program allows commercial real estate investors to borrow money for energy-saving, water-efficient and sustainability upgrades for commercial real estate, including multifamily homes, office buildings, industrial buildings and agriculture projects.

C-PACE loans can be used for new construction or renovations. Borrowers repay the loans through their commercial property tax bills for up to 30-years at low-interest rates.

C-PACE financing is growing in popularity across the United States, with 37 states and Washington D.C. already offering it and other states planning to start. Over 2400 commercial buildings have used C-PACE financing with over \$2 billion in financing in total. The price range for commercial projects will usually fall between \$75,000 and \$750,000, although projects with a much smaller or larger budget are also common.

This financing program both incentivizes borrowers to improve the performance of the building and helps increase a property's resilience to environmental disasters, reduces carbon emissions, conserves water and increases energy efficiency.

According to industry professionals, one barrier to securing this type of financing is the lack of education about what C-PACE financing is and

who can apply. There are many different ways a borrower can qualify for C-PACE financing, and many of them are common upgrades property owners may already be planning to incorporate.

This guide explains how to qualify for C-PACE financing, some of the main advantages and recent examples.

## How Can Borrowers Use C-PACE Financing?

Eligibility requirements vary by state, but here are some examples of what borrowers can use C-PACE financing for:

- Installing solar panels on high-rise office buildings
- Updating a hotel's HVAC system
- Installing high-efficiency glass and insulating doors in an office building
- Building a new shopping mall with an efficient microgrid
- Renovating a multifamily building with high-efficiency windows and water-conserving systems
- Retrofitting a hospital to protect against earthquakes
- Building a new construction multifamily with central air conditioners or "smart" thermostats

## C-PACE Financing Deal Trends Across the U.S.

Since 2009, C-PACE financing has gone from \$3.4 million in financing to over \$2 billion. According to [PACENation](#), a nonprofit dedicated to providing information on PACE financing to market participants, 49% of the C-PACE projects funded are for projects related to energy efficiency, 23% for renewable energy, 22% are mixed and 7% are for resiliency.

C-PACE investments are most often used for hospitality, followed by office buildings, retail buildings and industrial buildings.

The majority of C-PACE financing goes toward renovations, and 14% of C-PACE investments are for new construction.

California is the state to receive the most C-PACE investment, at \$625 million, followed by Ohio, Connecticut and Colorado.



### Active C-PACE Lender: North Bridge

North Bridge currently offers C-PACE financing across the U.S. for all major asset classes. [Lev](#), [Leverage.com](#)'s sponsor brokerage, might be able to [help you connect with them or another lender that offers C-PACE financing](#).

- C-PACE Loan Amount: \$3-500 million
- Collateral: Special assessment
- Pricing: 10-year Treasury + credit spread; fixed rate
- Term: 20 to 30 years (matches useful life of improvements)
- Interest-Only Period: Capitalized interest and interest-only periods are available, varying by state; program ranges from:
  - > 0 to 5 years for capitalized interest
  - > 0 to 10 years for interest only
- Amortization Period: The loan is fully amortized through the end of the term with potential for some programs to offer balloon payment structures
- Fees:
  - > Lender Fee: 1%
  - > Program Authority Closing Fees, varies by state and paid to local authority
  - > Typical Transaction/Closing Costs; can rely on Senior Lender third party reports for new origination
  - > Program Authority Ongoing Fees
- Prepayment: Prepayable at any time, subject to prepayment penalty (varies)
- The loan is also freely transferable and assumable without any test
- Structure: No ongoing tests or covenants after initial sizing

# Advantages of C-PACE Financing

## COMPETITIVE INTEREST RATES

C-PACE financing offers competitive interest rates because the tax assessment repayment plan is considered secure. Interest rates are also fixed over the term of the loan.

## MORE SUSTAINABLE, LONG-TERM FINANCING

The financing can be transferred to the new owner if the property is ever sold. C-PACE financing makes it easy for both lenders and potential owners to think about long-term investments because both know the financing will stay in place, even if the property owner changes.

## ALIGNS INCENTIVES

Under most lease structures, both the landlords and the tenants will benefit from the tax assessment and cost savings, aligning their incentives.

## COST-EFFICIENT BOTH IN THE SHORT AND LONG-TERM

While energy-efficient upgrades will help you save on utility bills in the short term, they'll also increase your property's value in the long term.

## MINIMIZES ENVIRONMENTAL IMPACT

The property improvements C-PACE finances will make a property more environmentally efficient, minimizing carbon emissions and energy expenditure.

## Examples of C-PACE Financing

Here are some examples of how C-PACE financing has been used across the U.S. for renovation and redevelopment.

- Prolongis, Inc. used \$1.4 million in C-PACE financing for energy efficiency and renewable energy retrofit at its headquarters in the historic Pier 1 building in San Francisco. First built in 1918, Prolongis converted Pier 1 into five office and retail units in 2001. The project is expected to decrease electricity consumption by 32%, saving around \$100,000 per year.
- Becker and Becker used C-PACE financing for energy efficiency equipment, renewable energy and microgrid improvements for a redevelopment of an iconic downtown mixed-use building in downtown Hartford, Connecticut. The \$1 million project was financed through Greenworks Lending.
- CleanFund and Petros PACE Finance provided C-PACE financing for a required seismic upgrade at Verity Health's Seton Medical Center Campus in Daly City, California. The upgrades ensured the hospital will meet California's mandatory Hospital

Facilities Seismic Safety Act. The total amount invested in the project was \$40 million — the largest in C-PACE's history.

- As part of a major redevelopment of the historic Blackstone Hotel in Omaha, Nebraska, \$4.6 million in C-PACE financing was received for different energy conservation measures. The improvements made to the property are expected to save \$116,000 on utility expenses annually.
- Milwaukee, WI created a PACE program with the goal to improve the energy efficiency of commercial and industrial buildings by 20%. The PACE financing program allows building owners to pay for energy improvements over time through a voluntary municipal special charge attached to the property rather than the owner. Milwaukee launched the initiative in 2013 and closed its first PACE deal in 2014 to retrofit the University Club of Milwaukee. So far, the city has closed eight projects worth a total of \$13 million, leading to \$1 million in savings annually.

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