

C-PACE for Consenting Mortgage Lenders

What is C-PACE?

C-PACE (Commercial Property Assessed Clean Energy) is a financing tool that funds energy efficiency, renewable energy, water efficiency, resilience, and public health improvements to new and existing buildings.

C-PACE lenders finance 100% of the hard and soft costs of eligible projects through fixed rate, fully amortizing financing for up to 30 years. C-PACE assessments are secured by a voluntary assessment on the property, which automatically transfers upon sale or foreclosure. Property owners may also elect to prepay a C-PACE assessment.

Most types of commercial properties are eligible for C-PACE, including office, hospitality, retail, mixed use, healthcare, industrial, and multifamily buildings with more than four units, depending on the state and C-PACE program. Many programs have enabled C-PACE for new construction projects and to refinance installed improvements within a 1-3 year lookback period.

Typically, C-PACE is enabled first by state legislation and then at the local level by cities and counties. To date, 38 states and Washington, D.C. have adopted C-PACE enabling legislation, and 30+ states have active programs. Over 2,900 building owners have chosen to use C-PACE to invest \$4+ billion in improvements to their properties.

↳ PACENation.org/what-is-pace/

Why consent to C-PACE financing?

C-PACE is a voluntary assessment that is typically collected in the same manner as other municipal taxes and assessments. Because of C-PACE's unique status as a property tax assessment, in the event of a delinquency, only the unpaid portion of a C-PACE assessment (i.e., not the entire financed amount) takes a senior position to existing mortgages.

Most C-PACE enabling statutes, and most C-PACE programs, require the consent of the senior lender to close a C-PACE transaction. As senior lenders have become more familiar with C-PACE's benefits and unique features, they have increasingly granted consent to C-PACE projects. To date, over 300 senior lenders—including national, regional, and local banks, credit unions, and public agencies—have offered consent, and over 80 lenders have consented to multiple C-PACE deals.

The unique features of C-PACE explain why senior lenders consent to C-PACE financing:

- **C-PACE assessments are non-accelerating:** In the event of default, only the outstanding payment is in front of the senior position, minimizing the amount ahead of senior debt. The total outstanding amount of the C-PACE financing cannot be accelerated. After a sale or foreclosure, future payments are the responsibility of the next owner. Amounts in arrears are typically only 1-3 percent of the building's value.
- **Senior lenders maintain foreclosure rights:** C-PACE does not require an intercreditor agreement and senior mortgage lenders retain the right to foreclose as if it were the sole financing on the property.
- **Senior lenders can mitigate perceived risks:** C-PACE assessments have a low risk of default and delinquency. To further mitigate risks, some senior lenders have elected to escrow C-PACE payments monthly, voluntarily entered into intercreditor agreements to define contingency scenarios, and required protective advances where C-PACE payments are escrowed and added to the C-PACE loan balance.

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Why consent to C-PACE financing? (cont.)

- C-PACE may increase collateral value:** The annual savings from C-PACE improvements can result in reduced utility expenses and maintenance costs that exceed the annual cost of a C-PACE loan. These savings can free up operating cash flows to cover other business expenses.

Lower operating costs result in higher NOI, which increases value. C-PACE funds higher-performing buildings, mitigating risk to the senior lender.
- C-PACE can improve debt service coverage:** The cost savings from C-PACE may also result from lower interest costs compared to alternative financing options. C-PACE interest rates are typically lower than mezzanine debt and preferred equity, and enables longer repayment terms. In these cases, C-PACE increases the property's debt service coverage ratio.
- C-PACE is non-recourse:** The assessment is underwritten to a property's appraised or assessed value, and not to the building owner's credit. No guarantees are typically required from the property owner (a completion guaranty may be required in the case of new construction).
- Capitalized interest period:** Interest can be capitalized for up to 2-5 years, depending on the project and C-PACE program, to push the first payment beyond project completion or stabilization.

For more information and data on C-PACE for consenting mortgage lenders, please contact PACENation's Director of Market Research, Mike Centore (mike@pacenation.org).

The C-PACE opportunity for lenders

Property owners use C-PACE to make their buildings more efficient, more cost effective, and more comfortable for tenants—modernizing and increasing the value of their asset. Senior lenders consent to C-PACE for the same reasons, and to improve their long-term relationship with customers that seek C-PACE financing.

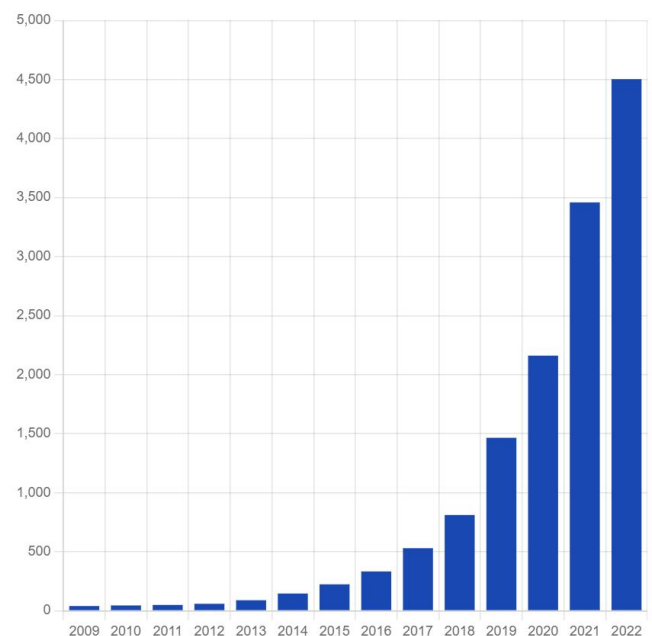
Today, senior lenders that understand the opportunity of C-PACE financing have begun to offer C-PACE as an additional option to new and existing customers. With C-PACE, lenders can offer a new financing product that's non-recourse, requires no money down, and can be combined with senior debt or offered as a standalone product.

C-PACE market facts:

- \$4.5 billion funded on 2,900+ properties
- Annual market growth rate of 67%+
- Over 90 lenders are currently active in 30+ states
- \$2+ trillion market opportunity for deep building retrofits and electrification of U.S. commercial buildings

↳ <https://pacenation.org/market-data>

**CUMULATIVE C-PACE FINANCING VOLUME,
2009-2022 (\$, BILLIONS)**



Indicative List of Consenting Financial Institutions

300+ consenting lenders to date

This indicative list shows the top 100 financial institutions that have granted consent to one or more C-PACE projects as reported to PACENation by C-PACE program administrators, organized by the number of consents granted. This list should not be considered comprehensive and may vary by banking division or region, or other factors. Please check with your lender to determine whether they are able to consent to a potential C-PACE project.

Wells Fargo	Northwestern Mutual	Metlife
J.P. Morgan Chase	People's National Bank	MT Funding
First Bank	PIDC	Pacific Premier Bank
US Small Business Administration (SBA)	Romspen / Const. Loan Svcs II	Pender WEST Credit One REIT
US Bank	Stearns Bank	Plumas Bank
Exchange Bank	Sterling Savings Bank	PNC Bank
Independent Bank	The First National Bank of McGregor	Priority Investor Loans
WestAmerica Bank	100 Mile REIT	Private Bank & Trust
Alpine Bank	Academy Bank	Prosperity Bank
Bank of America	Access Point Financial	Reverse Bank
BankRI	Adams Bank & Trust	StanCorp Mortgage Investors
Bellco Credit Union	AltCapital	UMB Bank
Enterprise Bank & Trust	Bank of CO	Umpqua Bank
Huntington National Bank	Bank of the West	Vectra Bank
Fulton Bank	BB&T	Washington Trust
John Marshall Bank	Berkley Bank	Waypoint Bank
MidFirst Bank	Berkshire Bank	1st Trust Bank
Protective Life Insurance	Centennial Bank	A2B2 LLC
Redwood Credit Union	City of Kansas City	ACH Child and Family Services
United Bank	CO Structures	Actos Group
American Agricultural Credit	Collins Community Credit Union	Amalgamated Bank
ANB Bank	Collins Loan Services	American Nation Bank
Citywide Banks	Commerce National Bank	American River Bank
Commerce Bank	DC Housing Authority	American West Bank
First Bank of Boulder	Eagle Bank	Andrews Federal Credit Union
First Citizens Bank	Equity Bank	Associated Bank
First Interstate Bank	Fifth Third Bank	BancorpSouth Bank
First National Bank	First Bank and Trust of IL	Bank of Ann Arbor
First Republic Bank	Great Western Bank	Bank of Commerce
Folsom Lake Bank	Guaranty Bank	Bank of Sullivan
Frontier State Bank	Hanmi Bank	Bank of the Ozarks
Happy State Bank	ILS Lending	Basin Street Capital
Mutual of Omaha	Independence Bank	
New Resource Bank	MainStreet Bank	

Join PACENation to view full lists of consenting lenders, plus more statistics and case studies of C-PACE projects that have obtained consent.

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PACENation is the national membership association for PACE financing.

Our members enable millions of American property owners to increase the efficiency and resilience of their homes and businesses.

PACENation.org/join

✉ membership@pacenation.org

Data as of 11/1/2022