



GPC | GREENPACE  
CAPITAL

# Everything You Need to Know About **C-PACE FINANCING**

Unlock your access to capital with low-cost, long-term, nonrecourse financing for building upgrades, energy-efficient improvements, and new construction.

# What Is PACE?

**Property Assessed Clean Energy (PACE) financing is an innovative public-private program solution for property owners to finance energy-efficient building upgrades. PACE provides 100% financing for project costs and requires no personal or business guarantee.**

Traditional financing options simply don't provide a worthwhile return on investment for property owners. Up-front costs, low approval rates, and short-term repayment pressures negatively impact your cash flow.

PACE financing requires no deposit and no down payment. With fixed interest rates and long-term financing, property owners get direct access to capital. Plus, it spreads payments out up to 30 years through an assessment on the property tax bill.

## The 2 Types of PACE Programs



### **Residential PACE (R-PACE):**

Single homes and multi-family properties with fewer than five units.



### **Commercial PACE (C-PACE):**

Commercial properties, industrial buildings, nonprofits, and multi-family properties with five or more units.

This guide will focus on C-PACE, which is increasingly popular with building owners and contractors. The Office of Energy Efficiency and Renewable Energy<sup>1</sup> reports that more than \$800 million in energy efficiency projects on commercial properties have been financed in 35 states plus the District of Columbia.

<sup>1</sup> Office of Energy Efficiency and Renewable Energy

# How Does C-PACE Financing Work?

States pass legislation that allows local municipalities to establish C-PACE programs, with funding made possible through public-private partnerships.

C-PACE is classified as a property assessment, not a loan, and financing is repaid through your property taxes. The financing stays with the property, not the property owner. If the property is sold, the assessment can transfer to the new owner.

While C-PACE is relatively new (the first project was proposed in 2007), assessment financing has a long history. It helps pay for public services like schools, libraries, sidewalks, and fire departments.

## Get Preapproved for C-PACE Financing Today

Quickly see if your property qualifies  
for C-PACE, including how much.

[Check My Eligibility](#)

# What Can C-PACE Help Finance?

## C-PACE financing is available for:

- ✓ **New Construction:** Fund new construction projects.
- ✓ **Building Updates:** Enhance your building's appeal and marketability.
- ✓ **Retroactive Financing:** Secure cash for projects completed in the past three years.

Unlike most traditional commercial loans, with C-PACE you can secure low-interest financing for smaller projects starting at \$50,000. C-PACE also carries less risk and lower interest rates than other financing options, like mezzanine and commercial loans.



Since 2009, cumulative C-PACE investments in real estate have climbed to over \$1.5 billion.<sup>2</sup>

Hundreds of energy-efficiency, water-efficiency, and renewable-energy projects are eligible for C-PACE financing and tax credits. Some examples include:

- ✓ Roofing
- ✓ Solar panels
- ✓ Lighting
- ✓ New construction
- ✓ Plumbing
- ✓ HVAC systems
- ✓ Windows, doors, and skylights
- ✓ Seismic improvements
- ✓ Water heating
- ✓ Alternative energy



Energy savings generated by improvements usually exceed annual payments.

<sup>2</sup> PACENation

# What Role Does a PACE Program Administrator Play?

Once PACE programs are authorized by the state legislature and adopted by local municipalities, a PACE program administrator is selected to assess and manage the project before administering financing.

They are responsible for overseeing the project and ensuring that it aligns with the state or local legislation's program guidelines. The administrator partners with the property owner to determine the amount of financing needed and can recommend qualified contractors.



The U.S. Department of Energy oversees PACE programs.

## C-PACE Financing: A Valuable Tool for Contractors

Contractors who educate property owners on the benefits of C-PACE financing can help them make energy-efficient improvements that generate more value, secure potential tax credits, and make their properties more marketable.

A faster approval process, higher approval rates, and larger equity rates make C-PACE more viable than other financing options. Because there are no personal guarantees from the property owner, it's a strategic way for contractors to secure more efficiency-related projects.

## Become a GreenPACE-Approved Contractor

Close more cash-flow positive projects and grow your business.

[Get Started Now](#)

# How Long Does C-PACE Financing Approval Take?

Timelines depend on the jurisdiction and project, but approval for C-PACE financing can take as little as one day with financing available in seven days. To determine your preapproval amount, a PACE administrator only needs to know the property address.

By comparison, approval for a commercial loan can take months, and it often requires expensive third-party reports from appraisers, environmentalists, and engineers. Why wait several months to secure financing when it can be done in a few days?



# How Does C-PACE Financing Compare With Traditional Loans?

C-PACE financing has a higher loan-to-value (LTV) ratio and an easier approval process than traditional financing options. Because of the longer financing terms and no out-of-pocket costs, property owners stay cash-flow positive.

## Average Interest Rates and Terms for Common Financing Models vs. C-PACE

Financing Model	Interest Rate	Max LTV	Term Years	Prepayment Penalty	Risk Level
Mezzanine	12% to 20%	85%	3 to 5 years	Sometimes	High
Commercial	3% to 14%	75%	5 to 10 years	Yes	Medium
C-PACE	6% to 7%	100%	5 to 30 years	Sometimes	Low

Also, in some cases, property owners can pass the assessment (and savings) to their commercial tenants through a commercial lease.

When it comes to annual payments, C-PACE financing provides a significantly lower cost than other financing models.

## Annual Payment for Common Financing Models vs. C-PACE

Financing Model	Amount Financed	Interest Rate	Term Years	Annual Payment
Mezzanine	\$200,000	20%	5	\$63,585
Commercial	\$200,000	14%	10	\$37,264
C-PACE	\$200,000	6%	30	\$14,389

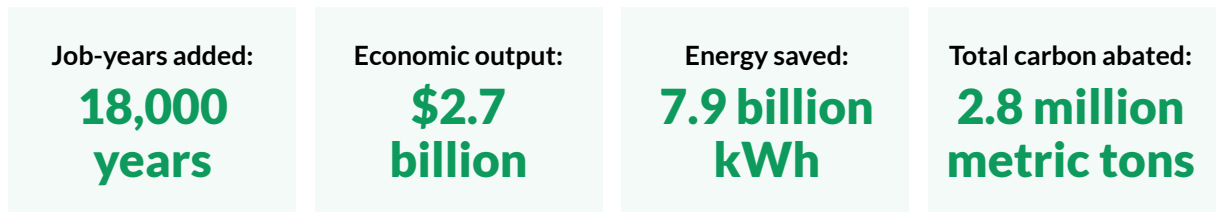
# What Are the Benefits of C-PACE Financing?

ENERGY STAR calculates that a 10% decrease in energy use can result in a 1.5% increase in net-operating income (NOI).<sup>3</sup> For example, in a 200,000-square foot office building that pays \$2 per square foot in energy costs, a 10% reduction in energy consumption translates into an additional \$40,000 of NOI.

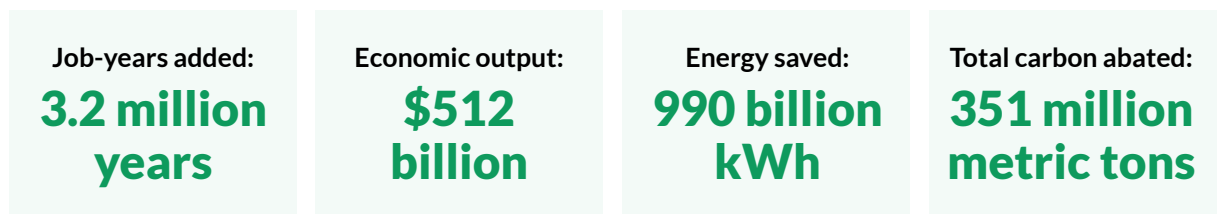
In addition to energy savings and tax credits for property owners, C-PACE financing promotes job creation, spurs economic development, and helps communities mitigate the impacts of climate change and natural disasters. A study of government spending on energy technologies showed that expenditures for renewables create five more jobs per million dollars invested than spending on fossil fuels.<sup>4</sup>

To date, C-PACE has added 18,000 job years to the economy and abated 2.85 million metric tons of carbon. According to PACENation, a national nonprofit association that advocates for PACE financing, if C-PACE financing were used in 15% of eligible buildings in each state, it could add 3.2 million job-years to the economy and abate 351 million metric tons of carbon.<sup>5</sup>

## C-PACE impact estimates:



## C-PACE impact estimates if used in 15% of eligible buildings in each state:



Source: PACENation, April 2020

<sup>3</sup> ENERGY STAR

<sup>4</sup> McKinsey

<sup>5</sup> PACENation



# What's the Future of C-PACE?

The Biden administration has pledged to reduce the carbon footprint of U.S. buildings by 50% by 2035.<sup>6</sup> The Department of Commerce is set to introduce new energy performance standards and strengthen the Department of Energy's rules for building appliances and equipment.

C-PACE and tax credits are poised to position commercial property owners with an affordable, sustainable way to offset the costs of upgrades while strengthening the communities where they operate.


## How C-PACE Improves Your Cash Flow


See how C-PACE saved a property owner \$2.6 million over a 30-year term.

[Get My Infographic](#)

<sup>6</sup> The White House

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