Financial Option: C-PACE
(Commercial Property Assessed Clean Energy)

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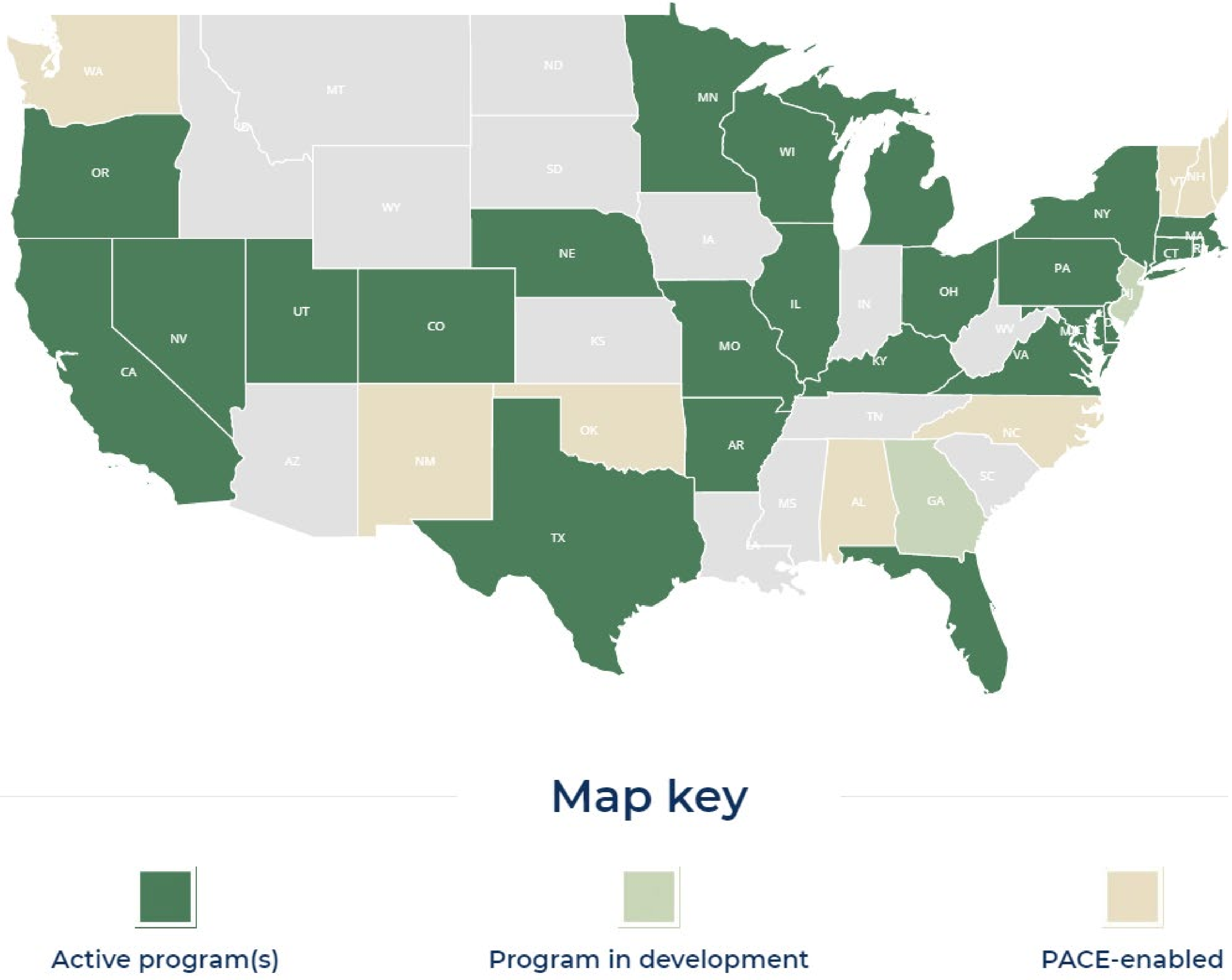
C-PACE Program Details

- Programs are established at municipal, regional and state levels w funding from private capital sources.
- Not traditional debt or equity called “assessment financing” collateral is property tax.
- Finance energy efficiency, renewable energy and water conservation expenses on NEWC or CONV (**NOTE**: most are standard in current building code requirements-no real changes needed to project build or renovation)
- Heating and cooling systems, lighting improvements, solar panels and insulation are examples eligible items.
- C-PACE will finance 100% of the eligible environmental type expenses made to the building.
- C-PACE is part of capital stack which will still include the need for a construction loan and owners equity contribution.
- C-PACE capital can replace more expensive funding such as mezzanine or JV equity.
- Some jurisdictions will allow retroactive or “ lookback” funding within 24-36 months for properties that completed qualified improvements.

Key Features of C-Pace Program

- Will finance 100% of the eligible improvement costs (max loan amounts average of 20-25% of prop value).
- Non-Recourse; Fixed Interest Rates- C-PACE Legislated in 30+ States w/ active in 20.
- Interest payments are included on the borrower's property tax bills.
- Upon a sale of property; C-PACE financing can be repaid or transferred with the sale
- Repayment funds through tax assessment on the property for up to 30 years.
- Some lenders may allow the rolling of the first few years of C-PACE payments into the loan’s principal balance.
- Borrowers will work directly with a C-PACE Lender whom will guide through the state's application process.
- Must have existing lender approval to allow C-PACE financing be utilized on the project property



- **<u>Active C-PACE programs</u>** have approved C-PACE loans
- **<u>Pending Markets</u>** waiting for legislation to approve C-PACE
- **<u>Passed Legislation</u>** for C-PACE but not active or have made any C-PACE loans.

Interactive Map

https://pacenation.org/pace-programs/

Concerns to Address:

- Limited lender pool – Lender Consent Required
- Cash flow from asset must be sufficient to cover operating costs along with mortgage debt and C-PACE
- There are specific requirements for savings calculation (energy, water etc.) and documentation varies by local program
- For CONV taking a C-PACE Lien may violate existing mortgages (loan covenants)
- If loan not paid it will be treated just like a nonpayment of taxes.
- Because PACE programs are enabled by state and local legislation, program requirements vary by jurisdiction. Some states allow C-PACE financing for new construction while others do not.
- Savings requirements also vary by program.

Advantages

- Allows for secure financing of comprehensive projects over a longer term, making more projects cash flow positive.
- Spreads repayment over many years, seldom requires an upfront payment, and removes the requirement that the debt be paid at sale or refinance.
- Can lead to low interest rates because of the high security of loan repayments attached to the property tax bill.
- Helps some property owners deduct payments from their income tax liability.
- Allows municipalities to encourage energy efficiency and renewable energy without putting general funds at risk.
- Taps into large sources of private capital.

Disadvantages

- Available only to property owners.
- Cannot finance portable items (screw-in light bulbs, standard refrigerators, etc.).
- Can require dedicated local government staff time.
- May require high legal and administrative setup obligations.
- Not appropriate for investments below $2,500.
- Potential resistance by lenders/mortgage-holders whose claims to the property may be subordinated to the unpaid assessment amount should the property go into foreclosure.

The PACE Process

Lowering Weighted-Average Cost of Capital