

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, 39 states and Washington, D.C. have adopted C-PACE enabling legislation, and 30+ states have active programs. Over 3,300 building owners have chosen to use C-PACE to invest \$7+ 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 340 senior lenders—including national, regional, and local banks, credit unions, and public agencies—have offered consent, and over 120 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.
- **Senior lenders maintain foreclosure rights:** C-PACE does not require an intercreditor agreement and senior mortgage lenders retain the right to foreclose.
- **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 a fraction of the cost of equity and mezzanine debt, and enable 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

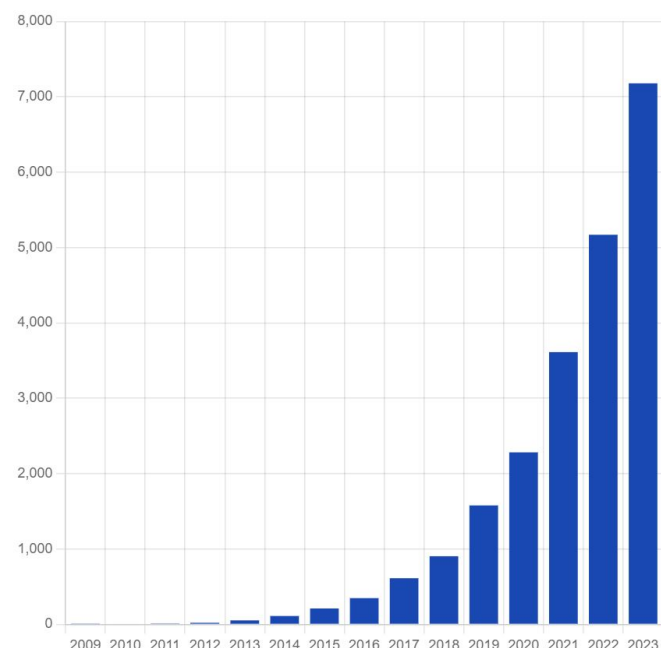
Property owners use C-PACE to make their buildings more efficient, more cost effective, and more comfortable for tenants—modernizing and increasing the value of their asset. Senior lenders consent to C-PACE for the same reasons, and to improve their long-term relationship with customers that seek C-PACE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

- **\$7.2 billion** funded on **3,300+** properties
- Annual market growth rate of **40%+**
- Over **140** lenders are currently active in **30+** states
- **\$2+ trillion** market opportunity for deep building retrofits and electrification of U.S. commercial buildings

**CUMULATIVE C-PACE FINANCING VOLUME,
2009-2023 (\$, BILLIONS)**



Indicative List of Consenting Financial Institutions

352 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.

Peoples United Bank	MidFirst Bank	100 Mile REIT
Webster Bank	Protective Life Insurance	Academy Bank
Wells Fargo	Redwood Credit Union	Access Point Financial
J.P. Morgan Chase	Simsbury Bank	Adams Bank & Trust
United Bank	Whitcraft	AltCapital
Berkshire Bank	American Agricultural Credit	Amalgamated Bank
Union Savings Bank	ANB Bank	Bank of CO
Citizens Bank	Charter Oak Federal Credit Union	Bank of the West
First Bank	Citywide Banks	BB&T
US Small Business Administration (SBA)	Commerce Bank	Berkley Bank
Fairfield County Bank	CT Dept of Economic & Community Development	Castroville State Bank
US Bank	Eagle Bank	Centennial Bank
Bank of America	First Bank of Boulder	Citizen's Alliance Bank
Exchange Bank	First Citizens Bank	City of Kansas City
Independent Bank	First Interstate Bank	CO Structures
WestAmerica Bank	First National Bank	Collins Community Credit Union
Alpine Bank	First Niagara	Collins Loan Services
BankRI	First Republic Bank	Commerce National Bank
Bankwell Bank	Folsom Lake Bank	Connecticut Housing Finance Authority
Bellco Credit Union	Forbright Bank	DC Housing Authority
Farmington Bank	Guilford Savings Bank	Equity Bank
Huntington National Bank	Happy State Bank	Fifth Third Bank
Newtown Savings Bank	M&T Bank	First Bank and Trust of IL
Quinnipiac Bank and Trust	Mutual of Omaha	Great Western Bank
Ally Bank	New Resource Bank	Guaranty Bank
Chelsea Groton Bank	Northwestern Mutual	Hanmi Bank
Dime Bank	PIDC	ILS Lending
Enterprise Bank & Trust	Rockville Bank	Independence Bank
Farm Credit East	Romspen / Const. Loan Svcs II	MainStreet Bank
First County Bank	Stearns Bank	Mercedes Benz Financial Service
Frontier State Bank	Sterling Savings Bank	Metlife
Fulton Bank	The First National Bank of McGregor	MT Funding
John Marshall Bank	Windsor Federal Savings	NewFirst National Bank
Liberty Bank		Pacific Premier 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 12/31/2022