C-PACE: Frequently Asked Questions

What is C-PACE financing?

Commercial Property Assessed Clean Energy (C-PACE) is an alternative source of financing available for commercial properties (i.e., all properties excluding 1- to 4-unit residential dwellings). Property owners can use C-PACE financing to cover 100% of the costs of projects for energy efficiency, water conservation, renewable energy generation, and resiliency upgrades. C-PACE financing includes all equipment, materials and labor costs, as well as indirect services and fees. No public dollars or taxpayer funds are used in C-PACE financing.

Like traditional special assessments that finance street lighting or sewers, property owners repay the financing through a special assessment that is added to their property tax bill. C-PACE assessments are totally voluntary. If the property owner sells the property, the balance of the assessment remains with the property and seamlessly transfers to the new owner without any need to approve the new owner.

Key components of C-PACE financing are:

- Financing for 100% of direct and indirect costs;
- Fixed interest rates;
- Up to 30 years to repay;
- Secured by a property lien (not a personal guarantee); and
- Non-accelerable in the event of default.

In sum, C-PACE financing makes it easy for property owners to make improvements by eliminating upfront capital costs, providing competitive long-term financing for long-term capital improvements, and allowing property owners to transfer repayment obligations to a new owner upon sale.

Why C-PACE?

C-PACE addresses a gap in the credit market for energy efficiency and resiliency projects. Investing in commercial properties to use renewable energy sources, to be energy efficient, to save water, and to be more resilient and sustainable makes economic sense and generates environmental benefits. Prior to C-Pace, the problem was that credit was not available based on traditional banking practices or the credit was too short-term to make financial sense, even for large businesses. C-PACE solves these issues by providing long term, fixed-rate credit that allows the cost savings to equal or exceed the debt service.

Has C-PACE financing been adopted elsewhere?

C-PACE has been enabled in 36 states and the District of Columbia and there are 25 active programs. To date, C-PACE financing exceeds $1.5 billion in 2,100+ properties.

What kind of projects can use C-PACE financing?

Property owners can use C-PACE to finance 100% of project costs related to energy efficiency, renewable energy, water conservation, and eligible resiliency. Items such as HVAC, efficient windows and doors, control systems, roofing, elevators, and solar panels can be paid with C-PACE. On an existing building retrofit, PACE can often cover 100% of the cost of a project. On new construction, C-PACE financing usually represents 20-25% of total project costs. Examples of projects that can use C-PACE:

- Completely modernizing a vacant Art Deco office building;
- Redeveloping an abandoned factory as a business incubator;
- Installing solar on an indoor soccer and recreational park; and
- Constructing a new hotel with high-efficiency windows and water conserving systems.

Where do C-PACE funds come from?

No public funds or public credit are involved. All the funds come from private capital providers and banks. Direct financing from the capital provider to the property owner is the most common. Non-recourse municipal or county improvement authority bond financing may be available, but without any financial liability to state, county, or municipal government.

Is C-PACE an economic stimulus program?

Yes. The secure nature of the C-PACE lien allows capital providers to offer financing even while banks are tightening their lending limits. Traditional commercial lenders often leave a project short of the needed total amount of financing. C-PACE financing is often the lowest-cost source to fill that gap in the capital stack.

C-PACE also helps projects that are underway or recently completed. Property owners can refinance existing mezzanine financing or the owner-paid improvements. Refinancing allows property owners to substitute expensive capital with long-term, fixed rate financing that improves a building's cash flow and strengthens the property owner's business operations.