

## C-PACE Financing: Frequently Asked Questions

### What is C-PACE financing?

Commercial PACE (C-PACE) is an alternative source of financing for all types of commercial properties, including office buildings, hotels, warehouses, manufacturing facilities, agricultural properties, and buildings owned by religious or charitable organizations, such as health care facilities and theaters. C-PACE financing is generally not available for 1- to 4-unit residential homes. C-PACE financing covers 100% of the costs of improvements that lower energy costs, conserve water, and strengthen building resiliency. C-PACE financing covers all hard and soft costs, as well as ancillary costs. C-PACE financing is entirely voluntary and no public dollars or taxpayer funds are at risk. C-PACE creates no financial liability to the state, county, or municipal government.

Key features of C-PACE financing are:

- Financing for 100% of costs related to improvements that save energy costs, reduce water usage, or strengthen building resiliency;
- Fixed interest rates;
- Long repayment periods over the useful life of the improvements, up to 30 years or more;
- Secured by a property lien (not a personal guarantee); and
- Only the delinquent payments can be collected in the event of default.
- When the property owner sells the property, the balance can be assumed by the new owner.

For a project to replace equipment in an existing building, PACE typically covers 100% of the costs. For new construction or the reuse of a vacant building, C-PACE financing ranges from 15% to 35% of project costs. Many states allow projects recently completed to refinance with C-PACE financing.

### Has C-PACE financing been adopted elsewhere?

C-PACE programs exist in more than 35 states. Nationally, C-PACE financing tops \$7 B in 2,300+ properties.

### What kind of projects can use C-PACE financing?

Energy cost-saving equipment such as HVAC systems, heat pumps, windows and doors, control systems, roofing, and solar arrays are eligible. Low-flow fixtures and water recapture systems are eligible. Building resiliency measures such as storm-resistant windows and sprinkler systems are eligible. In agricultural settings, C-PACE can be used for drip irrigation or water recovery/purification systems.

### Where do C-PACE funds come from and how are they repaid?

No taxpayer dollars or public credit are involved. All the funds come from private capital providers, such as private lenders or local banks. Property owners negotiate their own financing terms. Prior to closing, all existing mortgage holders on the property must consent to the C-PACE financing, which functions as a double-check on the project viability. The project is then approved by the program administrator for the state or the local government. C-PACE financing is repaid in installments collected at the same time as property taxes, either by the normal taxing authority or by the capital provider if the state allows.

### Is C-PACE an economic development program?

Absolutely. Especially in uncertain economic conditions, traditional lenders may leave a project short of the needed financing. C-PACE financing can be the lowest-cost source to fill that gap in the capital stack.