

Commercial Property Assessed Clean Energy (C-PACE)

A Fact Sheet for State and Local Governments

Commercial property assessed clean energy (C-PACE) is a tool that can finance energy efficiency and renewable energy improvements on commercial property.

Like other project financing, C-PACE uses borrowed capital to pay for the upfront costs associated with energy efficiency or renewable energy improvements. Unlike other project financing, the borrowed capital is repaid over time via a voluntary tax assessment. The security provided by the tax assessment, a long-used and well understood mechanism, results in several compelling features, including longer term financing and transferability of the repayment obligations to the next property owner. In turn, C-PACE strengthens the business case for investment in longer payback and deeper building retrofits beyond what is possible with traditional financing.

Why C-PACE Matters for State and Local Governments

C-PACE is not a federal program, and public funding is not necessary to run a C-PACE program. C-PACE must be authorized by state legislation, and requires further authorization from local governments. More than 30 states have adopted C-PACE enabling legislation because of the opportunities for investment in local businesses, energy and cost savings, and job creation.ⁱ

Private firms often participate in C-PACE as lenders, developers, administrators, contractors, and marketers. With limited public funding, state and local governments are increasingly interested in attracting private dollars to take full advantage of the opportunities associated with energy efficiency and renewable energy investment.

Key C-PACE Features

- **Target Market:** Depending on the authorizing legislation, C-PACE may be available to industrial, commercial, agricultural, multi-family, and non-profit/religious properties.ⁱⁱ
- **Eligible Improvements:** Depending on the authorizing legislation, eligible projects may include energy efficiency, renewable energy, energy storage, and non-energy measures (e.g., storm and seismic hardening).
- **Duration and Transferability:** Terms tend to be long (20-30 years) because repayment is secured by the tax assessment and transfers to the next property owner (traditional commercial loans are usually 7-10 years).
- **Interest Rates and Fees:** Interest rates are competitive since the tax assessment mechanism is considered secure and low-risk; fees associated with program administration or other services are common.
- **Scale:** C-PACE programs may be organized at the local, multi-jurisdictional, or statewide levels.
- **Capitalization:** Public or private funds may be used to finance property improvements. Private capital from regional banks or national specialty lenders is increasingly common as programs mature and grow to scale, while many programs have leveraged public funding (e.g., through bonding).
- **Multiple Actors:** C-PACE financing may include commercial property owners, capital providers, a program administrator, the mortgage holder (e.g., bank), the contractor providing retrofits, a tax assessor, and others.
- **Lender Consent:** Mortgage holder consent is a best practice or requirement for most C-PACE programs.

Commercial
PACE Market
Data

\$493 million
in cumulative C-PACE financing
1,097
commercial projects completed

Source: PACENation, October 2017
See: <http://pacenation.us/pace-market-data/>

How C-PACE Works

State and local governments frequently ask about two very different processes: how do we get a C-PACE program in our jurisdiction, and how do C-PACE projects get approved and financed? Generalized processes are below.

PROGRAM SET UP PROCESS

State legislature adopts commercial PACE enabling legislation

Decision making body is convened to start a PACE program (state or local)

Program guidelines are created or adopted to supplement enabling legislation

Select an administrator (public or 3rd party) and launch program

Local governments join program, or in some cases, start their own

PROJECT APPROVAL AND FINANCING PROCESS

A program administrator (public or 3rd party) approves the project

Tax assessment placed on property and financier provides project capital

A contractor completes the PACE-eligible building improvement

Property owner pays for completed work via a property tax assessment

Repayments are remitted back to the lender

Commercial PACE Project Examples

Milwaukee, WI

The City of Milwaukee authorized C-PACE in 2013. Milwaukee's first C-PACE deal closed in 2014 at the University Club of Milwaukee. The building underwent retrofits expected to result in \$60,000 in annual operating savings, roughly 30%. Learn more via the [Better Buildings Implementation Model](#).



Texas

Texas authorized C-PACE in 2013. Via a "PACE in a Box" model designed to streamline quick adoption, over 10 Texas local governments have adopted a PACE-enabling ordinance. Texas closed its first C-PACE project in late 2015, which included \$1.25 million in financing for retrofits to an Austin shopping mall. Learn more at [Texas PACE Authority](#).



Resources to Learn More

- [State and Local Solution Center: Pay for Energy Initiatives](#)
- [Accelerating the Commercial PACE Market: Statewide Programs and State Energy Office Participation in Property Assessed Clean Energy \(PACE\) Financing](#) – A 2016 report prepared by the National Association of State Energy Officials
- [PACENation](#): Resources on market data, state enabling legislation, case studies, and much more

ⁱ PACENation via "PACE Programs Near You." Available online [here](#).

ⁱⁱ Single family residential is excluded from C-PACE and is subject to different lending regulations. For more information, see the U.S. DOE's [Best Practice Guidelines for Residential PACE Financing](#).

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**ENERGY EFFICIENCY &
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