



C-PACE: UNDERSTANDING THE IMPACT ON SENIOR LOANS



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CASTLEGREEN
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Table of Contents

| | |
|---|----|
| 1. Executive Summary | 2 |
| 2. Understanding C-PACE Financing | 4 |
| Definition and Structure of C-PACE | 4 |
| Differences Between C-PACE and Traditional Commercial Loans | 5 |
| Legislative Backing and Nationwide Adoption..... | 6 |
| 3. Impact of C-PACE on Senior Loan Safety and Security | 8 |
| 4. Refinancing Considerations with C-PACE Financing | 10 |
| Common Concerns and Misconceptions..... | 10 |
| Market Perception of Properties with C-PACE Assessments..... | 11 |
| Strategies for Successful Refinancing..... | 11 |
| 5. Studies and Real-World Applications | 14 |
| Examples of Successful Integration of C-PACE and Senior Loans..... | 14 |
| Lessons Learned and Best Practices..... | 15 |
| 6. Legal and Regulatory Framework | 17 |
| Overview of State Legislation Supporting C-PACE..... | 17 |
| Compliance Requirements for Property Owners and Senior Lenders..... | 18 |
| 7. Financial and Environmental Benefits of C-PACE | 20 |
| Cost Savings from Energy Efficiency Improvements | 20 |
| Environmental Impact and Sustainability Benefits..... | 21 |
| 8. Future Outlook for C-PACE Financing | 23 |
| Trends in Market Adoption and Innovation..... | 23 |
| Opportunities for Senior Loan Investors..... | 25 |
| 9. Conclusion..... | 26 |
| 10. References..... | 28 |

1. Executive Summary

Commercial Property Assessed Clean Energy (C-PACE) financing has emerged as a transformative tool in the realm of commercial real estate, offering a unique approach to funding energy-efficient upgrades and sustainable building practices. This innovative financing is part of a broader public-private partnership aimed at encouraging property owners to invest in energy efficiency, renewable energy, and water conservation improvements. C-PACE financing stands out due to its long-term, amortizing structure and fixed interest rates, which align with the useful life of the improvements being financed. By allowing property owners to repay the investment through a special assessment on their property tax bills, C-PACE effectively reduces upfront capital requirements and spreads costs over time, making energy efficiency projects more accessible and financially feasible.

In addition to the environmental benefits of reducing carbon emissions and promoting sustainable energy use, C-PACE financing offers significant economic advantages. For property owners, the ability to finance substantial building improvements without upfront costs and with long-term repayment options can lead to reduced operating expenses, increased property values, and enhanced marketability. Investors benefit from the improved asset performance and lower risk associated with properties that are more energy-efficient and have lower utility costs. This alignment of environmental and economic benefits has driven the rapid adoption of C-PACE programs across the United States, with 38 states and the District of Columbia having passed enabling legislation.

The collaboration between senior commercial mortgage lenders and C-PACE financing providers represents a significant step forward in leveraging C-PACE

to enhance the capital stack of commercial real estate projects. This partnership is particularly important for Senior loan investors who prioritize the security and stability of their investments.

By co-authoring this white paper on the impact of C-PACE financing on senior loans, ALC and CastleGreen aim to clarify common misconceptions, highlight the compatibility of C-PACE with traditional commercial financing structures, and demonstrate how this innovative tool can be used to enhance property value while maintaining the safety and security of senior loan investments.

As the market for C-PACE continues to grow, with projections of reaching \$10 billion in cumulative investment by the end of 2024, the need for clear, comprehensive information about its benefits and applications becomes increasingly crucial. This white paper seeks to provide that information, drawing on the expertise of American Lending Center and CastleGreen Finance to offer valuable insights into how C-PACE can be effectively integrated into the financial strategies of commercial property owners and investors.

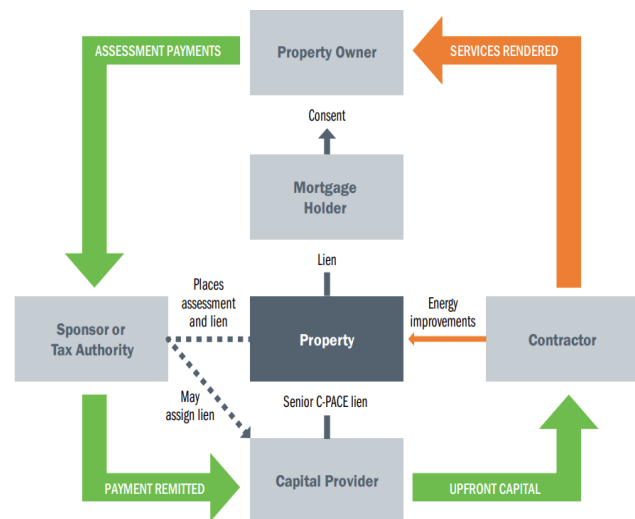


2. Understanding C-PACE Financing

The C-PACE financing model represents a significant shift in how energy efficiency and renewable energy projects are funded for commercial properties. Unlike traditional financing mechanisms, C-PACE provides a unique structure that aligns with the needs of property owners, lenders, and local governments. To fully grasp the potential of C-PACE, it is essential to understand its definition and structure, how it differs from traditional commercial loans, and the legislative backing that has enabled its nationwide adoption.

Definition and Structure of C-PACE

C-PACE is a financing tool specifically designed to facilitate the implementation of energy efficiency, renewable energy, and water conservation improvements in commercial properties. It operates through a public-private partnership, where private capital is used to fund the improvements, and repayment is secured via a special assessment added to the property tax bill. This structure allows property owners to undertake significant capital improvements without the need for upfront capital expenditure, as the repayment is spread over a long term, typically 10 to 30 years, which aligns with the useful life of the improvements being financed.



U.S. Department of Energy: Lessons in Commercial PACE Leadership

The C-PACE model is fundamentally different from traditional commercial loans in that it is secured by the property itself rather than the creditworthiness of the borrower. This means that the assessment remains with the property even if ownership changes, ensuring that the party benefiting from the improvements is the one who repays the assessment. Further, it eliminates the complication of obtaining approvals or incurring fees upon transfer of the property. This feature provides flexibility for property owners and enhances the marketability of properties with energy-efficient upgrades.

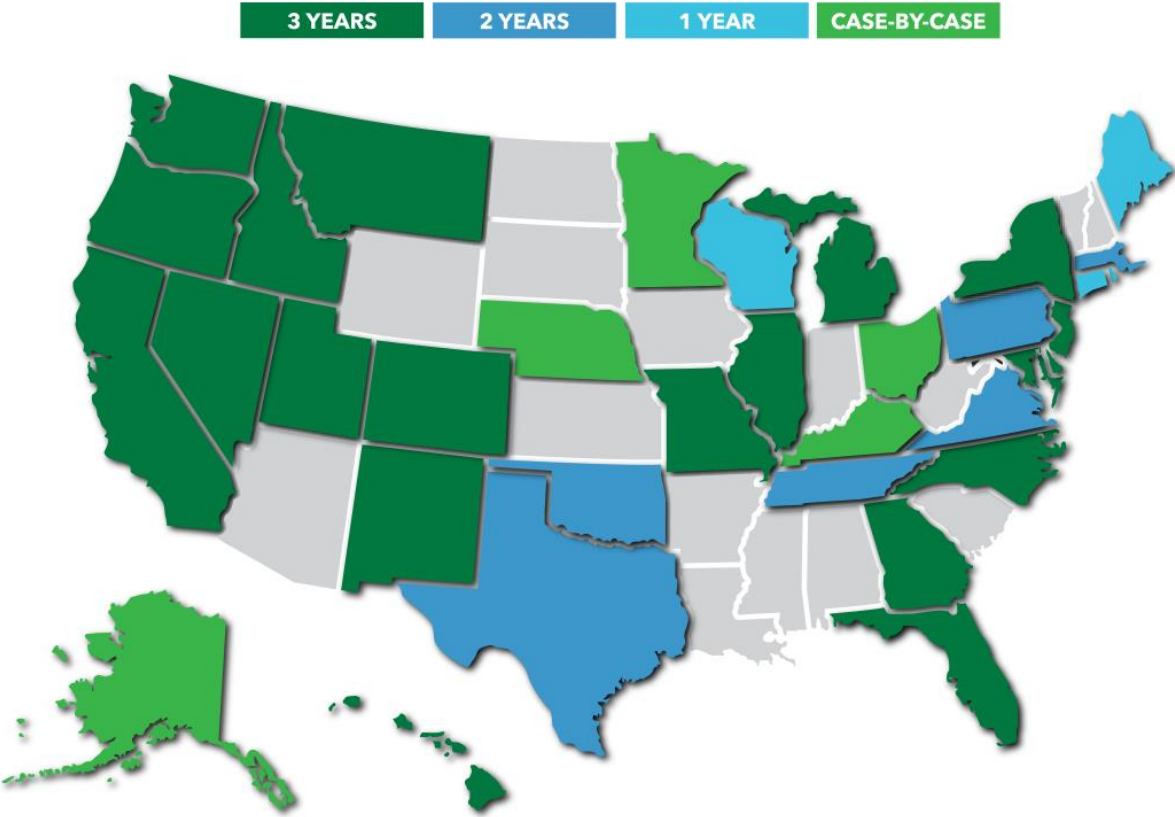
Differences Between C-PACE and Traditional Commercial Loans

One of the key distinctions between C-PACE financing and traditional commercial loans is the method of repayment and security. Traditional commercial loans are typically secured by a mortgage lien or pledge of partnership interests on the property and are subject to the borrower's credit risk. In contrast, C-PACE assessments are repaid through property tax bills and are treated similarly to other municipal assessments. This means that in the event of a default, the C-PACE assessment does not accelerate and only the delinquent amount is collected, reducing the immediate financial burden on the property owner.

Moreover, C-PACE financing does not affect the seniority of the existing senior commercial loan. Unlike other forms of senior debt, C-PACE assessments do not push the existing senior lender into a junior position when the C-PACE is current. This characteristic is crucial for maintaining the safety and security of senior loans, making C-PACE an attractive option for both property owners and senior lenders who wish to improve energy efficiency without compromising their financial positions.

Legislative Backing and Nationwide Adoption

The adoption of C-PACE financing across the United States has been driven by strong legislative support at both state and local levels. Currently, C-PACE programs have been enacted in 38 states and the District of Columbia, with active programs in 35 states and legislation pending in several others. This widespread adoption reflects a growing recognition of the benefits of energy efficiency and renewable energy projects, both in terms of environmental impact and economic development.



CastleGreen Finance, a key player in the C-PACE Alliance legislative committee, actively contributes to shaping C-PACE guidelines on a national scale. As a committee member, CastleGreen participates in the legislative process by drafting bills for new state programs, engaging lobbyists to generate political

support, and promoting positive amendments to existing C-PACE programs. Over the last 18 months, CastleGreen and its colleagues have contributed to the passage of new C-PACE statutes in North Carolina, Georgia, Idaho, New Mexico, and Hawaii.

In addition to these efforts, CastleGreen has worked closely with Program Administrators over the past two years to drive important amendments in states such as Michigan, Pennsylvania, New York, Connecticut, and Texas. Ongoing amendment initiatives in Massachusetts and Missouri aim to make C-PACE programs more accessible to property owners.

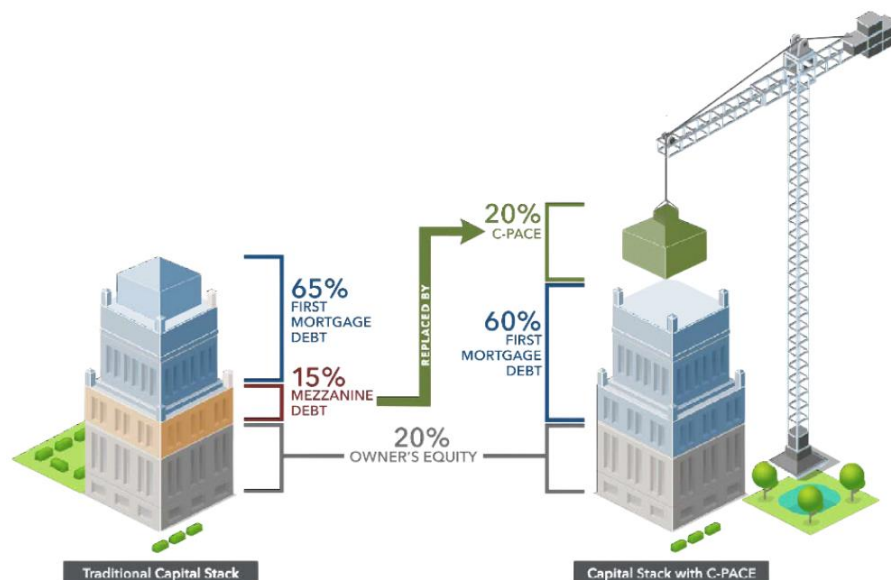
Of the twelve states that currently do not have C-PACE statutes, strategies are being developed or expanded upon to pursue the states of South Carolina, Arizona, Louisiana, Indiana, and Iowa during the 2025 legislative sessions to continue growing the C-PACE.

State statutes have been enacted to authorize C-PACE programs, providing a legal framework that enables municipalities to collect C-PACE assessments alongside regular property taxes. This legislative backing ensures the security of the repayment mechanism and supports the long-term viability of C-PACE financing as a tool for promoting sustainable building practices.

In summary, C-PACE financing represents an innovative approach to funding energy efficiency and renewable energy projects in commercial properties. Its unique structure, which ties repayment to the property rather than the borrower, offers significant advantages over traditional commercial loans. With robust legislative support and a growing number of participating states, C-PACE is well-positioned to continue expanding its impact on the real estate and energy sectors.

3. Impact of C-PACE on Senior Loan Safety and Security

The impact of C-PACE financing on the safety and security of senior loans is a critical topic. As previously explained, C-PACE financing is structured as a property tax assessment rather than a traditional commercial loan, and this distinction has significant implications for the safety and security of senior loans.



C-PACE financing is tied directly to the property through a tax assessment. This means that C-PACE assessments are treated similarly to property taxes and are collected in the same manner. The senior lender still

maintains a senior fee mortgage while the C-PACE assessment remains current. This ensures that the senior lender maintains all its traditional rights and remedies and may be repaid at any time provided the C-PACE is not delinquent. This permits the senior lender to remedy problems with an asset as they would traditionally and maintains controls they are accustomed to in their normal course of business.

Furthermore, C-PACE assessments do not accelerate in the event of delinquency. If a property owner falls behind on their property taxes, including the C-PACE assessment, only the delinquent amount is subject to collection.

Future payments remain scheduled as initially planned, without acceleration. In addition, all notice and cure rights contained within the C-PACE statute extend to the senior mortgage holder, as well as the property owner. This approach reduces the risk of significant financial strain on the property owner and senior lender while minimizing the potential impact on cash flow, which in turn supports the stability of the senior loan.

For senior loan investors, who typically prioritize the security of their investments, it is important to note that C-PACE financing does not disrupt the seniority of their loan investment structure. The payments associated with C-PACE are incorporated into the property tax obligations, and as such, they do not push the senior loan into a subordinate position. This arrangement ensures that the senior loan's priority is preserved, maintaining the protection of the senior loan capital.

In addition to maintaining loan priority, C-PACE financing also contributes to enhancing the property's value and operational efficiency. The Trepp Report and Energy Usage and Default Risk studies provide evidence that buildings with poor energy efficiency are more likely to default, while energy-efficient improvements funded through mechanisms like C-PACE reduce the default risk by default risk by improving the property's cash flow and overall financial health (Trepp, 2017; Lawrence Berkeley National Laboratory & University of California, Berkeley, n.d.). This, in turn, can reduce the likelihood of default on the senior loan, further securing the investment for the senior loan investors.

In summary, C-PACE financing is a property-based tool that enhances energy efficiency without compromising the security of senior loans. It maintains the priority of senior loans, does not accelerate in the event of delinquency, and can even contribute to the financial stability and value of the property. This makes C-PACE a complementary financing option that aligns well with the interests of senior lenders and their investors.

4. Refinancing Considerations with C-PACE Financing

C-PACE financing provides a unique and innovative method for funding energy-efficient upgrades in commercial properties. However, as with any financial product, property owners and investors must consider the implications of C-PACE assessments when planning for refinancing. Understanding common concerns, market perceptions, and strategies for successful refinancing is essential for maximizing the benefits of C-PACE financing while minimizing potential drawbacks.

Common Concerns and Misconceptions

One of the most prevalent concerns about C-PACE financing is its impact on refinancing existing debt. Many property owners and senior lenders worry that the presence of a C-PACE assessment, which is repaid through property tax bills and often holds a senior position to other liens, could complicate refinancing efforts. This concern stems from the misconception that C-PACE assessments might subordinate existing mortgages, potentially reducing the willingness of new senior lenders to refinance the property or increasing the cost of refinancing.

However, this concern is unfounded. C-PACE assessments are typically structured in a way that does not impair the position of senior lenders. The assessment is repaid as a line item on the property tax bill, and in the event of a default, only the current year's delinquent payments are collected, not the full amount of the assessment. Since the total C-PACE financing typically represents 10% to 30% of the property's value and is repaid over 10 to 30 years,

even in the event of default, the impact of delinquent payments of C-PACE on the senior lender is minimal, amounting to only 0.3% to 3% of stabilized value, making the impact negligible. This structure minimizes the risk to senior lenders and makes C-PACE a viable financing tool even for properties with existing commercial loans.

Market Perception of Properties with C-PACE Assessments

The market perception of properties with C-PACE assessments can vary, but generally, properties that have utilized C-PACE financing are viewed positively due to the energy efficiency and sustainability improvements they represent. Studies have shown that energy-efficient buildings tend to have lower default rates, higher occupancy, and better overall financial performance compared to less efficient counterparts. As a result, properties with C-PACE assessments may be more attractive to potential buyers and lenders because they are likely to incur lower operating costs and offer a more sustainable investment.

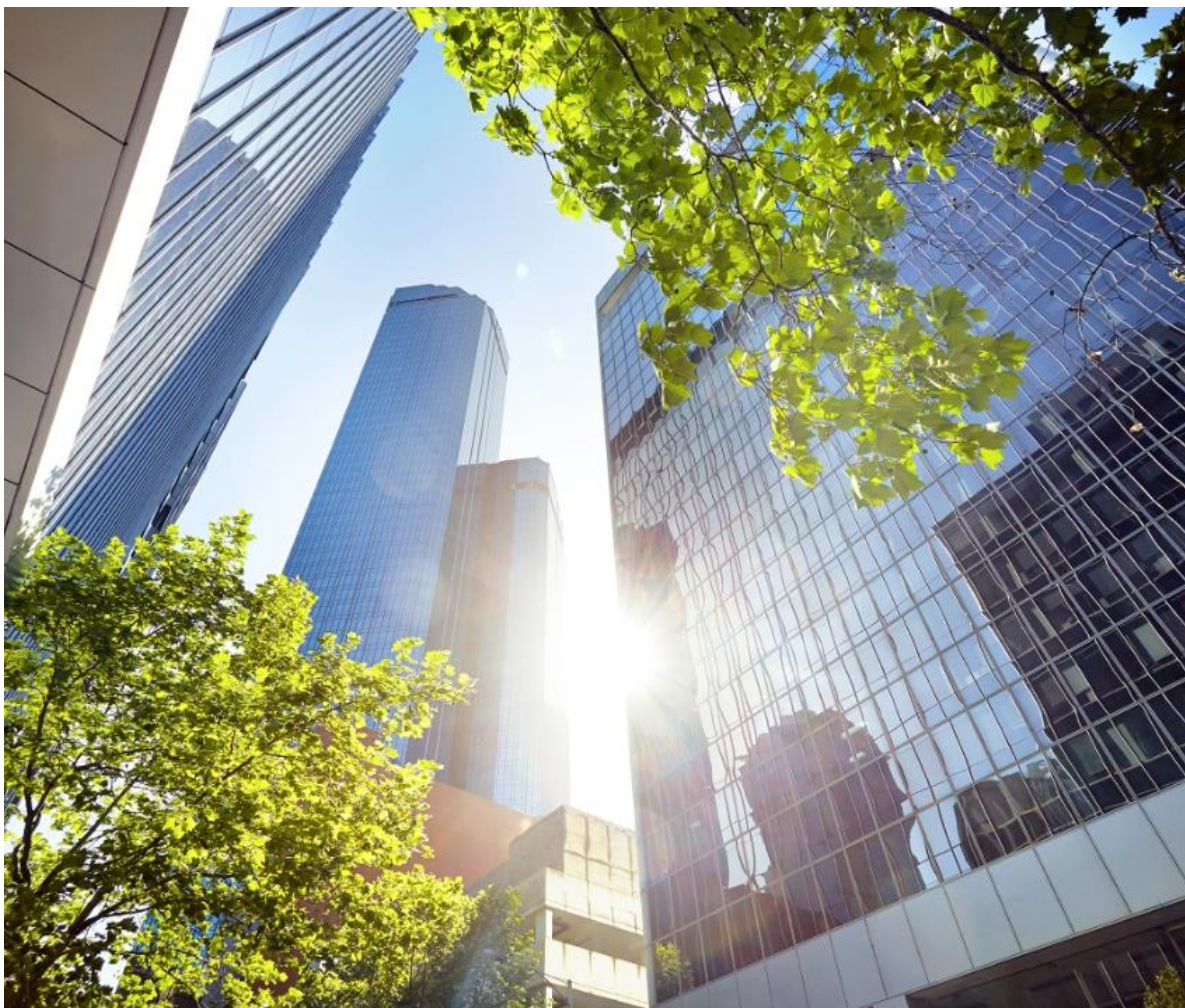
Despite these advantages, some market participants may still view C-PACE assessments as a potential risk, particularly if they are unfamiliar with the structure and benefits of the program. Educating lenders, investors, and other stakeholders about how C-PACE assessments work, including the fact that they do not accelerate and are collected similarly to property taxes, can help mitigate concerns and improve the market perception of properties with C-PACE financing.

Strategies for Successful Refinancing

For property owners considering refinancing, there are several strategies that can help ensure a smooth process even with a C-PACE assessment in place. Clear communication with potential lenders is crucial. Providing detailed

information about the C-PACE assessment, including the amount, terms, and benefits of the financed improvements, can help alleviate concerns and demonstrate the added value of the property.

Additionally, securing lender consent is a key step in the refinancing process. While many lenders are now familiar with C-PACE and are willing to provide consent, it is essential to obtain this consent early to avoid delays or complications later on. Some lenders may require specific conditions to be met, such as escrowing the C-PACE payments or ensuring that the assessment does not exceed a certain percentage of the property value. Addressing these requirements proactively can facilitate a smoother refinancing process.



An added benefit of most C-PACE structures is that they allow for early prepayment of the C-PACE assessment, while C-PACE statutes prohibit a C-PACE provider's ability to call or accelerate the C-PACE assessment. This provides a win-win situation for the property owner and senior lender as the C-PACE may stay in place upon a refinance or sale or may be paid off, all at the discretion of the senior lender and property owner without any input or interference from the C-PACE provider.

Finally, leveraging the improved property performance resulting from C-PACE-financed upgrades can enhance the refinancing terms. Energy-efficient improvements often lead to higher net operating income (NOI) offsetting most or all of the C-PACE payments and increased property value, which can be attractive to lenders and help secure more favorable refinancing terms. By highlighting these benefits, property owners can make a compelling case for refinancing even with a C-PACE assessment in place.

In conclusion, while there are considerations to keep in mind when refinancing a property with C-PACE financing, the potential challenges can be effectively managed through clear communication, lender education, and strategic planning. By understanding and addressing common concerns, improving market perception, and implementing successful refinancing strategies, property owners can maximize the benefits of C-PACE financing while ensuring continued access to capital.



5. Studies and Real-World Applications

The successful integration of C-PACE financing with senior loans has been demonstrated through various real-world applications across different property types and markets. These examples illustrate how C-PACE can effectively complement traditional financing structures, offering significant benefits to property owners, lenders, and investors while maintaining the security of senior loans.

Examples of Successful Integration of C-PACE and Senior Loans

One notable example of the effective integration of C-PACE financing with senior loans is the redevelopment of a historic convent in Connecticut into a 292-unit apartment complex. In this case, C-PACE financing provided \$13.8 million to fund extensive energy efficiency upgrades, including advanced HVAC systems, high-efficiency windows, and lighting improvements. The project also secured senior loan financing, and due to its strong operational performance, healthy financial condition, and the statutory protections in place, the C-PACE assessment remained current. As a result, the senior lender was not subordinated by the C-PACE assessment. The combined financing strategy allowed for a lower overall cost of capital and improved the property's net operating income (NOI) by reducing energy expenses. As a result, the project not only preserved a historic building but also contributed to sustainable development goals and economic growth in the area.

Another example involves a cold storage facility in California that utilized both C-PACE financing and senior loans to fund significant energy-efficient upgrades. The \$17 million C-PACE financing was used to install LED lighting, support seismic strengthening and fund a highly advanced, energy-efficient

HVAC system used to store produce in a refrigerated environment, while a senior loan provided additional capital for the construction of the facility. The integration of C-PACE financing helped lower the higher operational costs typically associated with such properties and improve the facility's energy performance, ultimately enhancing its market value. This project highlights how C-PACE can be effectively layered with senior commercial loans to support large-scale commercial developments, ensuring that energy efficiency and financial stability are achieved simultaneously.

Lessons Learned and Best Practices

From these case studies, several key lessons and best practices can be derived for successfully integrating C-PACE financing with senior commercial loans. First, it is crucial to engage with all stakeholders early in the financing process. This includes securing lender consent and ensuring that all parties, particularly senior lenders, understand the structure and benefits of C-PACE financing. Clear communication and education about the non-acceleration clause of C-PACE assessments, which ensures that only delinquent payments are collected without impacting the senior loan's priority, are vital in gaining lender approval.

Another best practice is to conduct a thorough analysis of the property's energy performance and potential savings from the proposed upgrades. This analysis should be shared with lenders to demonstrate the financial benefits of the C-PACE-funded improvements, such as reduced operating costs and enhanced property value. By providing detailed projections of energy savings and their impact on NOI, property owners can make a compelling case for the economic viability of integrating C-PACE with senior loans. Best practice among C-PACE providers includes the engagement of an energy engineer to evaluate the energy savings and water conservation to be derived from the

proposed improvements. This resulting energy audit may be shared with other stakeholders to support the projected energy performance and expected utility cost savings.

Additionally, it is important to structure the financing in a way that aligns with the property's cash flow and operational needs. For instance, some projects may benefit from escrowing the C-PACE payments to ensure they do not disrupt cash flow, thereby maintaining the property's financial stability and protecting the interests of both senior lenders and their investors. Most C-PACE financings will include a period of capitalized interest which effectively prepays the interest for a period of time while the improvements are being implemented until such time as the property cash flow is expected to be sufficient to self-support the C-PACE payments.

The integration of C-PACE financing with senior loans can provide substantial benefits for property owners and investors, enhancing both energy efficiency and financial performance. By following best practices such as early stakeholder engagement, thorough energy performance analysis, and strategic financing structuring, the successful combination of C-PACE and senior loans can be achieved, supporting sustainable development and economic growth across various commercial real estate markets.

6. Legal and Regulatory Framework

C-PACE financing operates within a robust legal and regulatory framework designed to support energy efficiency improvements and renewable energy projects across commercial properties in the United States. This framework is essential for ensuring that C-PACE financing is effectively implemented and widely adopted, providing both property owners and lenders with a clear understanding of the legal requirements and protections associated with these types of projects.

Overview of State Legislation Supporting C-PACE

C-PACE financing is enabled by state legislation that authorizes local governments to offer property-assessed financing for energy efficiency, renewable energy, and water conservation improvements. As of now, 38 states and the District of Columbia have enacted C-PACE-enabling legislation, allowing property owners within these jurisdictions to access long-term, fixed-rate financing for eligible projects. Each state's legislation sets the legal parameters for C-PACE programs, including eligibility criteria, the types of improvements that qualify, and the process for securing and repaying C-PACE assessments.

The legislative framework for C-PACE is designed to provide a high level of security for both the property owners and the lenders involved in the program. Most state laws stipulate that C-PACE assessments are repaid through property tax bills, ensuring that they are treated as a lien, on par with other property taxes. This means that in the event of a property sale or transfer, the C-PACE assessment remains with the property, providing continuity and reducing the financial risk for property owners.

Moreover, state legislation typically includes provisions that protect senior lenders from being subordinated by C-PACE assessments. In most jurisdictions, the law requires that existing senior lenders provide consent before a C-PACE assessment can be placed on a property and industry best practices among reputable C-PACE providers is to require lender consent in 100% of projects financed. This requirement ensures that senior lenders are fully informed and in agreement with the addition of a C-PACE assessment, thereby maintaining the priority of their liens and protecting their interests.

Compliance Requirements for Property Owners and Senior Lenders

Compliance with the legal requirements of C-PACE financing is essential for both property owners and senior lenders to ensure the successful implementation and operation of C-PACE projects. Property owners must adhere to several compliance requirements to qualify for C-PACE financing. These typically include conducting an energy audit to identify eligible improvements, obtaining lender consent if there is an existing mortgage, and complying with all local regulations regarding the installation and operation of energy-efficient systems and technologies.

Senior lenders, on the other hand, need to be aware of the specific regulatory obligations associated with C-PACE financing. One critical requirement is the need for lender consent. Senior lenders must review the terms of the C-PACE assessment, including the amount, term, and impact on the property's cash flow, before providing consent. This process involves evaluating the potential benefits and risks of the C-PACE improvements and ensuring that the assessment does not negatively affect the lender's security interest in the property.

Additionally, senior lenders should be familiar with the non-acceleration clause present in all C-PACE programs, which ensures that in the event of a default, only the delinquent payments are subject to collection, not the entire assessment. This provision helps to mitigate risk and provides reassurance to senior lenders that their rights and remedies remain intact despite the presence of a C-PACE assessment.

In summary, the legal and regulatory framework surrounding C-PACE financing is designed to facilitate the widespread adoption of energy efficiency improvements while protecting the interests of property owners and senior lenders. By understanding and adhering to the legislative requirements and compliance obligations, stakeholders can effectively leverage C-PACE financing to enhance property value, reduce environmental impact, and contribute to sustainable development goals.

7. Financial and Environmental Benefits of C-PACE

C-PACE financing provides significant financial and environmental benefits by enabling property owners to undertake energy efficiency and renewable energy improvements with minimal upfront costs. These benefits are particularly valuable in the context of commercial real estate, where operational efficiency and sustainability are increasingly important to both investors and occupants.

Cost Savings from Energy Efficiency Improvements

One of the primary financial advantages of C-PACE financing is the substantial cost savings that can be achieved through energy efficiency improvements. By financing upgrades such as high-efficiency HVAC systems, LED lighting, insulation, and renewable energy installations like solar panels, property owners can significantly reduce their energy consumption and utility costs. For instance, studies have shown that properties that implement energy efficiency measures tend to see a marked decrease in operating expenses, which in turn enhances their net operating income (NOI).

These energy savings can be substantial over the life of the improvements. In some cases, projects financed through C-PACE have reported reductions in energy costs of up to 30% or more, depending on the scope and nature of the upgrades (U.S. Department of Energy, 2017.) For example, properties that have utilized C-PACE to install energy-efficient HVAC systems and LED lighting often experience immediate reductions in electricity consumption, which directly translates to lower utility bills. This reduction in operating costs not only

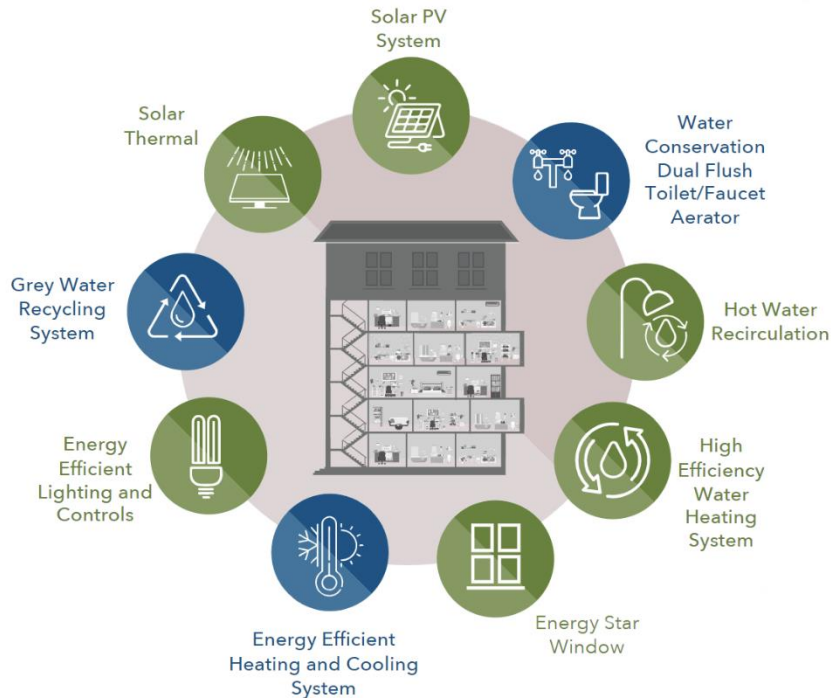
improves cash flow but also increases the overall value of the property by boosting its NOI and making it more attractive to potential buyers and investors.

Additionally, C-PACE financing offers a fixed interest rate over the long term, typically ranging from 10 to 30 years. This long-term, predictable payment structure allows property owners to spread the cost of improvements over the useful life of the equipment, aligning the financing with the energy savings generated. This alignment can provide a hedge against rising energy costs and help property owners manage their budgets more effectively.

Environmental Impact and Sustainability Benefits

Beyond the financial advantages, C-PACE financing also delivers substantial environmental benefits by promoting sustainable building practices and reducing carbon footprints. Energy efficiency improvements, such as those financed through C-PACE, contribute to significant reductions in greenhouse gas emissions. For instance, upgrading to energy-efficient systems can lower a building's energy consumption, thereby decreasing the amount of fossil fuels required for electricity and heating, which in turn reduces carbon emissions.

Moreover, the adoption of renewable energy sources, such as solar panels and wind turbines, further enhances the sustainability of commercial properties. These systems not only provide a clean, renewable source of energy but also reduce reliance on grid electricity, which is often generated from non-renewable sources. By integrating renewable energy technologies, properties can achieve a lower environmental impact and contribute to broader efforts to combat climate change.



The sustainability benefits of C-PACE-financed improvements extend beyond individual properties. As more buildings adopt energy-efficient technologies and renewable energy systems, the cumulative effect can lead to significant reductions in energy demand and greenhouse gas emissions at the community level. This shift towards greener buildings also supports public policy goals related to environmental protection and energy conservation, aligning with the growing emphasis on Environmental, Social, and Governance (ESG) criteria in the investment community.

In conclusion, C-PACE financing provides a powerful mechanism for achieving both financial and environmental benefits in commercial real estate. By facilitating energy efficiency improvements and renewable energy adoption, C-PACE helps property owners reduce operating costs, enhance property value, and contribute to a more sustainable future. These advantages make C-PACE an attractive option for property owners and investors looking to improve their properties' performance while supporting environmental sustainability.

8. Future Outlook for C-PACE Financing

C-PACE financing has rapidly evolved into a significant tool for enhancing energy efficiency and sustainability in commercial real estate. As the market continues to mature, new trends in adoption and innovation are emerging, creating exciting opportunities for various stakeholders, including senior loan investors. The future of C-PACE financing looks promising, driven by growing awareness of environmental issues, advancements in clean energy technologies, and increasing support from government policies.

Trends in Market Adoption and Innovation

The ongoing adoption and growth of C-PACE reflects a broader trend towards sustainable building practices and a recognition of the economic and environmental benefits of energy efficiency improvements. The market is projected to continue its upward trajectory, with cumulative C-PACE investment expected to reach \$10 billion by the end of 2024. This expansion is supported by increased awareness among property owners, investors, and financial institutions about the advantages of integrating C-PACE into their financing strategies.

Innovation in the C-PACE space is also accelerating. Recent developments include the integration of resiliency measures such as seismic strengthening and flood mitigation, which are becoming more relevant in regions prone to natural disasters. Additionally, advancements in energy-efficient technologies and renewable energy systems are expanding the range of projects eligible for C-PACE financing, making it a more versatile tool for property improvements. These innovations not only enhance the environmental benefits of C-PACE

projects but also increase their financial viability by further reducing operating costs and enhancing property value.

Furthermore, the market is seeing a shift towards incorporating C-PACE financing into the broader real estate capital stack. This integration is particularly evident in large-scale projects where C-PACE is used alongside traditional debt and equity to optimize the overall cost of capital. By replacing more expensive forms of mezzanine debt or bridge loans, C-PACE can lower the overall financial burden on property owners, making it an attractive option for a wider range of projects.



Opportunities for Senior Loan Investors

The expanding C-PACE market presents significant opportunities for senior loan investors, who are typically interested in projects that offer both financial stability and alignment with broader social and environmental goals. C-PACE financing provides a unique opportunity to participate in projects that enhance energy efficiency and sustainability, which are increasingly valued in the commercial real estate market.

Additionally, the alignment of C-PACE financing with state and local government priorities on sustainability and climate resilience further enhances its attractiveness to these investors. As more jurisdictions implement policies to promote energy efficiency and renewable energy, projects that utilize C-PACE financing are likely to benefit from favorable regulatory environments and potential incentives, further improving their financial prospects.

The future of C-PACE financing is bright, with continued growth in market adoption, ongoing innovation in eligible projects and technologies, and increasing integration into the real estate capital stack. For senior loan investors, C-PACE offers a compelling investment opportunity that aligns with both financial and social objectives, making it an ideal choice for those looking to invest in sustainable and economically viable projects. As the market evolves, staying informed about these trends and opportunities will be crucial for investors seeking to maximize the benefits of C-PACE financing.

9. Conclusion

This white paper has explored the significant benefits and strategic advantages of integrating C-PACE financing into commercial real estate capital structure. C-PACE offers a unique financing mechanism that aligns well with the needs of property owners, investors, and senior lenders by providing long-term, fixed-rate financing for energy-efficient improvements and renewable energy projects. This innovative tool not only reduces operational costs and enhances property value but also contributes to broader sustainability goals, making it an attractive option in today's market.

Throughout this paper, we have detailed how C-PACE financing protects the priority of senior loans, does not accelerate in the event of delinquency, and can enhance the financial stability and performance of properties. By leveraging C-PACE financing, property owners can undertake substantial capital improvements without the need for upfront costs, while investors can benefit from improved asset performance and lower risk associated with properties that have reduced energy expenses.

The growing market adoption of C-PACE, supported by strong legislative backing across numerous states, reflects its importance as a tool for sustainable development. As the market continues to evolve, with innovations in eligible projects and increased integration into the real estate capital stack, C-PACE is poised to play a critical role in the future of commercial real estate finance.

For senior loan investors and other stakeholders, understanding the nuances of C-PACE financing is crucial for making informed investment decisions. This white paper, co-authored by American Lending Center and CastleGreen

Finance, aims to provide comprehensive insights into the benefits, applications, and future opportunities of C-PACE financing, helping investors maximize returns while supporting environmental sustainability. As the landscape of commercial real estate continues to shift towards greener and more efficient practices, C-PACE stands out as a key component of a forward-looking investment strategy.

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About American Lending Center:

[American Lending Center \(ALC\)](#) supports U.S. economic growth and job creation by financing development across the country.

Since its inception in 2009, ALC has proudly provided over \$2.2 billion in loans and investments to thousands of companies of all sizes, empowering them to grow and thrive. Over this time, we have helped create and/or retain more than 140,000 jobs in the American economy.

In 2022, ALC launched its new rural construction and development fund, with capital available for the construction of fixed assets of all types in rural areas, including manufacturing, energy, infrastructure, hospitality, specialty use, multi-use, and other project types. Follow American Lending Center on [LinkedIn](#), [Facebook](#), and [Twitter](#).

About CastleGreen Finance: www.CastleGreenfinance.com

CastleGreen Finance is an affiliate of X-Caliber Capital Holdings and embraces the collaboration of commercial real estate construction along with a green energy and carbon emission reduction strategy by providing property owners with the financing tools needed to create and redevelop clean, sustainable, energy-efficient real estate through a superior capital stack.