PACE FOR LOCAL LENDERS

Commercial Property Assessed Clean Energy, or C-PACE, offered by Texas PACE Authority under the name "TX-PACE," is a form of financing for eligible water conservation, energy efficiency, resiliency, and distributed generation improvements to real property. Unlike traditional financing, TX-PACE is secured by a voluntary special property assessment. The TXPACE assessment has lien priority over mortgage debt, like other governmental assessments. Property owners must obtain written consent from mortgage holders for the assessment before the financing can be approved. Mortgage holders frequently consent to TX-PACE assessments due to the benefits that C-PACE provides to a mortgage holder's collateral value.

- TX-PACE investments improve the energy or water efficiency of a property increasing net operating income (NOI) and the mortgager's Internal Rate of Return (IRR) and cash flow. This improved NOI increases the property's asset value, enhancing the mortgage lender's collateral value and the owner's ability to make mortgage payments.
- C-PACE assessments do not accelerate. C-PACE assessments do not accelerate; in the event of a default or delinquency, only the amount that is past due is paid to the C-PACE lender, typically 1-3% of the value of the property. Future payments stay with the land.
- The risk to the mortgage lender is negligible. A typical C-PACE assessment comprises 25% standalone loan to value (LTV) and 80-90% combined LTV. The annual C-PACE payment commonly falls between 1-2% of the property value. C-PACE capital providers already factor property taxes and assessments into their underwriting models, meaning that capital providers are careful not to exceed standard parameters for lending.
- C-PACE projects can increase debt coverage ratio. Due to the C-PACE improvement reducing utility costs and improving NOI, the property's debt service coverage ratio increases.



Additionally:

- By providing consent, the mortgage lender contributes to a positive relationship with the property owner. All properties where a C-PACE project is proposed have property owners that want C-PACE financing. By providing consent, the mortgage lender and the property owner build on a positive and mutually beneficial relationship.
- C-PACE is non-recourse financing. The assessment is underwritten to the savings on a property's appraised or assessed value, and not to the building owner's credit.
- Assessment repayments can be escrowed. Mortgage lenders concerned about repayment can require funds to be escrowed to mitigate any default or delinquency risks.
- C-PACE assessments do not require an inter-creditor agreement.

In the United States, over two hundred mortgage lenders have provided consent to C-PACE assessments, including these institutions in Texas:

American National Bank
Basin Street Capital LLC
Collins Loan Services CUSO, LLC
Commerce National Bank
Central State Bank
First National Bank of Central Texas
Frontier Bank of Central Texas
Frontier State Bank
Happy State Bank
IberiaBank
ILS Lending LLC
Jet Lending, LLC
JP Morgan Chase
Liberty Bankers Life Insurance Company
MT Funding LLC
NewFirst
Penter WEST Credit 1 REIT, LLC
Priority Investor Loans
Prosperity Bank

Mortgage holders benefit when they consent to C-PACE assessments, but they can also create new revenue streams by offering C-PACE as a lending product. To learn about becoming a Texas PACE Authority Capital Provider, visit the TPA website.

American Cities Climate Challenge

This flyer was developed with support from the Bloomberg Philanthropies American Cities Climate Challenge. The Climate Challenge is an initiative that empowers 25 of the largest U.S. cities to implement near-term climate goals and become primary drivers of progress towards meeting America's pledge on climate. Recognizing that cities account for more than 70% of global carbon emissions – and that mayors have significant authority over cities' highest emitting sectors: transportation and buildings – the Climate Challenge aims to enhance the work already being done by mayors across the U.S. and to support cities in the fight against climate change.

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