

# C-PACE FOR MORTGAGE LENDERS



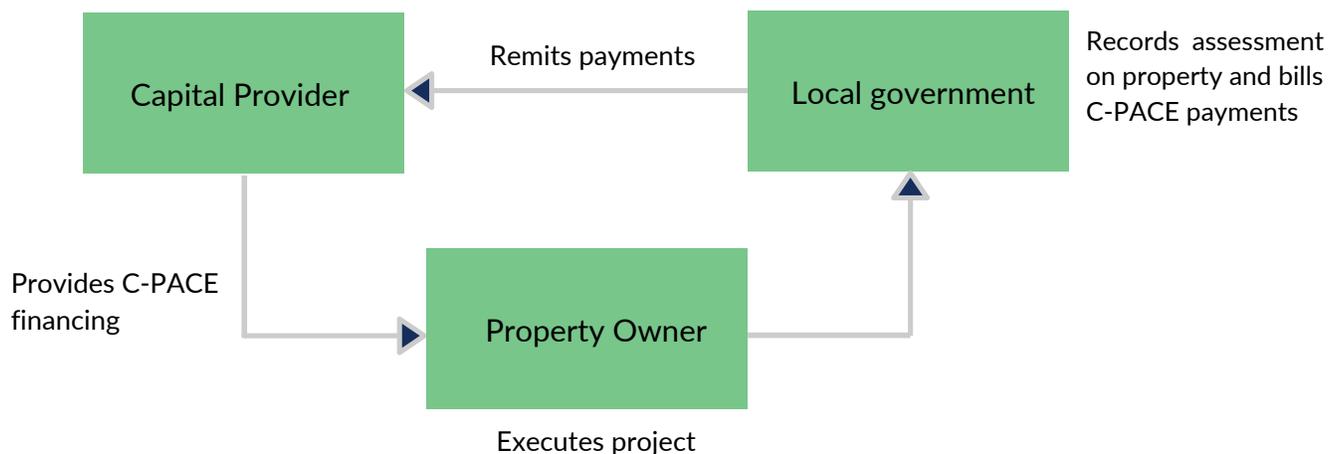
## What is C-PACE financing?

Commercial Property Assessed Clean Energy (C-PACE) allows commercial and industrial property owners to finance up to 100% of the costs of energy efficiency projects. The financing is provided by private lenders and secured by an assessment against the property. C-PACE has an extended amortization period which makes it possible for annual energy savings to exceed annual C-PACE payments, meaning projects can be cash flow positive from day one.

## Why do mortgage lenders consent to a C-PACE assessment?

- o Energy improvements improve collateral value.
- o Energy improvements help reduce operating expenses and increase cash flow.
- o Assessment financing is non-accelerating; only annual C-PACE assessments and taxes are paid first.
- o Assessment payments can be escrowed.

## C-PACE FINANCIAL STRUCTURE



# Frequently Asked Questions

## What is the Alaska C-PACE Program?

C-PACE Programs in Alaska are enabled through the Municipal Property Assessed Clean Energy Act, which authorizes municipalities to establish programs to impose assessments for energy improvements.

The Alaska C-PACE Program (AK C-PACE) is the product of an initiative to develop a program administrative platform, including a uniform set of enabling legal documents and best practice program administrative procedures, which can be adopted by any municipality in Alaska.

## How does C-PACE improve collateral value?

C-PACE projects reduce a building's operating costs because energy savings projects typically result in cost savings greater than the amount of the C-PACE assessment. This increases the net operating income and the building's asset value resulting in increased cash flow and improved debt coverage for mortgage lenders. Additionally, C-PACE projects can fund capital-intensive upgrades for equipment past useful life that degrade collateral value.

## How is C-PACE a low-risk financing product for existing mortgage lenders?

C-PACE assessments do not accelerate. In the event of a mortgage or other tax payment default, only the annual C-PACE assessment currently due and/or in arrears, a relatively small proportion of the C-PACE assessment, is secured through the municipality's lien for delinquent taxes and assessments. In the event of a property sale, C-PACE assessments transfer to the new property owner. Finally, C-PACE assessments are underwritten to a limited portion of a property's appraised or assessed value.

## Does C-PACE affect mortgage payments?

C-PACE financing is paid alongside real property taxes and other municipal assessments. However, mortgage lenders concerned about repayment can require funds to be escrowed to mitigate any default or delinquency risks.

## Does C-PACE compromise a mortgage lender's right to foreclosure?

A mortgage lender's foreclosure rights are not affected by C-PACE.

## As a mortgage lender, why am I being asked to provide consent?

As part of the C-PACE enabling legislation, section 29.55.115 states that property owners are required to notify mortgage lien holders of their intent to participate in a C-PACE project and obtain written consent, with a minimum of 30 days notice.

## Why is C-PACE senior to my claim of lien against the property?

C-PACE assessments are statutorily governed special property assessments on the building's property tax bill. Under Alaska statutes, unpaid C-PACE assessments are liens on the property prior and paramount to all liens except municipal tax liens and other special assessments. However, that portion of the C-PACE assessment that has not yet come due is not eliminated by foreclosure; the remainder stays with the property.

## Where can I learn more about C-PACE?

Visit our website at [www.akcpac.com](http://www.akcpac.com), or visit PACENation at [www.pacenation.org](http://www.pacenation.org) to learn more about the benefits of C-PACE.

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