

PACE Financing: A Lender Perspective

As the trend toward more sustainable building practices continues to accelerate, more states, building owners and developers are turning to PACE financing as a capital funding solution. As a senior lender, it is important that you understand the structure of PACE financing and why over 300 lenders nationally have already approved PACE financing on their funding projects.

WHAT YOU NEED TO KNOW

PACE Equity provides PACE financing with private capital from our own direct fund. We believe in transparency, quality control and thorough underwriting. We require any lender to consent or acknowledge our participation in the project. This consent is not a subordination agreement or intercreditor agreement, it is simply ensuring that you are aware of our participation in the project.

DETAILS ABOUT PACE EQUITY FINANCING

1. PACE Equity has a fixed payment (fixed term, fixed rate) and **we have no ability to accelerate** those payments. If payments are missed, we cannot “balloon” the principal balance. We can only collect what is due in arrears. This gives banks a sense of comfort that in the very unlikely event of a default, there is only a payment or two that would need to be caught up. We cannot put a lien on the building for the principal balance or future payments.
2. We can be **prepaid** at any time (unlike a traditional tax assessment) and we can be **transferred** in the case of a sale. If a foreclosure occurs, for example, the bank can transfer the obligations to a future buyer without penalties or approvals needed from PACE Equity.
3. We fully **fund at closing**, so the lender is sure that all funds are available to complete the project.
4. Our payment can be part of a tax and insurance **escrow**, so the lender knows it is reserved and payments are being made. Some lenders require this, while others don't.
5. With PACE Equity, we are funding sustainability measures that are better than code. This means the building has **enhanced property value** and lower operating costs.
6. We underwrite to combined standards between us and the lender (such as cash equity, LTV and combined DSCR) to ensure that there is a comfortable amount of funding and cushion for all parties. As a result, a property's results can be “worse” than expected but the **bank is still financially very well protected**.

Common Questions

HOW ARE ENERGY SAVINGS USED TO DETERMINE FINANCING?

An energy study is required to qualify for PACE Equity financing and will quantify the utility savings and other benefits of the improvements. The energy modeling looks at current utility spend or will use a building model based on local code.

WHAT HAPPENS IN THE CASE OF NONPAYMENT?

There will be an outstanding tax bill and a substantial amount of time allowed to get any outstanding back payments up to date. This is often multiple years. A great protection for lenders is that we have no way of calling the principal balance in the event of a default. The only payment obligation is the amount due at that time, not future payments or principal. In the case of a missed payment, PACE Equity asset management would generally be reaching out to the lender to ensure they are aware of outstanding balance if it is not made within a reasonable timeframe of being due.

DOES THIS IMPACT A LENDER'S ABILITY TO FORECLOSE?

Not at all. You maintain complete autonomy to call a default and foreclose, and your security interest is protected. You do not need to involve us in a foreclosure.

300 LENDERS | PARTICIPATION CONSENT APPROVAL

Over 300 institutions across the U.S. have approved PACE projects—local banks, regional banks, national banks, credit unions & HUD/SBA.

PACE BASICS

Commercial Property Assessed Clean Energy (C-PACE or PACE) is a legislated public/private partnership that creates a framework for private capital to fund specific improvements in a construction budget which have a quantifiable utility or water savings, for renewables and seismic improvements (in some states). Properties of all commercial types, including multifamily, office, industrial, hospitality, senior living and more can access this capital.

This tool was created to provide an incentive for owners and developers to build or renovate buildings in a more sustainable or energy efficient way, by providing access to low-cost capital for those specific improvements. The payback for the capital is done via a long-term, fixed rate (no balloon/rate reset) tax assessment on the property.

ELIGIBLE IMPROVEMENTS

- HVAC equipment & controls
- Seismic & resiliency
- Elevator/escalator
- Windows
- Plumbing
- Indoor air quality
- Lighting
- Solar PV
- Insulation & envelope
- Roofing

This is not an exhaustive list; every state has unique options for eligibility.



SEE OUR CASE STUDIES AND RECENT CLOSINGS AT:
WWW.PACE-EQUITY.COM

Common Questions

WHAT DO I HAVE TO SIGN TO APPROVE PACE EQUITY FINANCING?



There are no SNDAs or intercreditor agreements. The only paperwork needed for the bank to sign is an agreement accepting the financing from PACE Equity. Many lenders like the simplicity that they do not have to work through complicated intercreditor agreements to enforce their rights such as what is required with mezzanine financing.

HOW DO BANKS UNDERWRITE THIS?



PACE is a voluntary financing obligation. It is not considered an operating expense, nor would it be included in any appraisal. It is underwritten as a part of debt service.

WHAT ARE THE BENEFITS TO LENDERS?



Both the lender and PACE Equity are doing underwriting on the property to ensure the project has adequate cash flow for its obligations. You also have sign-off and control of whether or not to accept PACE Equity financing.

In order for PACE Equity to be involved, there has to be an improvement to the property, which increases the collateral value. After the project, it is a more valuable building with lower long-term operating costs.

You're able to differentiate yourself with competitors by partnering with PACE Equity. You can bring in a capital source for future clients, as well as have a competitive advantage for potential clients.

300 LENDERS

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1st Trust Bank
21000 Brookpark Lender
A2B2 LLC
Academy Bank
Access Point Financial
Ally Bank
Ally Capital
Alpine Bank
Amalgamated Bank
America's Christian Credit Union
American Ag Credit
American Agricultural Bank
American River Bank
American Riviera Bank
American West Bank
Ameriprise Financial
Ameritas Investment Partners
ANB Bank
Associated Bank
AVANA Capital, LLC
Bancorp South
Bank Hapoalim B.M (BHI)
Bank of America
Bank of Ann Arbor
Bank of Arkansas
Bank of Colorado
Bank of New York Mellon (as Trustee)
Bank of Springfield
Bank of Sullivan
Bank of the Ozarks
Bank of the West
Bank Rhode Island*
BankCorp South
Bankwell
Banner Bank
Basin Street Capital LLC & NewFirst National Bank
BBCN Bank
Bellco Credit Union
Berkley Bank
Berkshire Bank
BMO Harris Bank
BOK Financial Group
Boston Private Bank & Trust

Bremer Bank
Bridge Bank
Broadmark Realty Capital
Business Lenders LLC
Byzantine Diocese of Stamford
CAB Associates
California Bank and Trust
California Plan of Church Finance, Inc
Calmwater Capital
CanAm Texas Regional Center
Cap Com Federal Credit Union
Capital Region Development Authority
Capitol Bank
CBank
Cen-Cal Business Finance Group
Centennial Bank
Centennial Lending
Charter Oak Federal Credit Union
Chelsea Groton Bank
Chelsea State Bank
Chestnut
Cheviot Savings Bank
CIBC Bank USA
Circle Bank
CIT Banke, N.A (as successor by merger to Mutual of Omaha Bank)
Citibank
Citizens Bank
Citizens Business Bank
City National Bank
Citywide Banks
CO Business Bank
CO Structures
Collins Community CU
Collins Loan Services CUSO
Colorado Structures Inc.
Commerce National Bank, a branch of Lubbock National Bank

Commerce State Bank
Connecticut Innovations
Cornerstone Community Bank
Cost Fund 1
CT Dept of Economic & Community Development
CTBC Bank Corporation
CW Capital
DC Dept of Behavioral Health
DC Dept of Housing and Community Development
DC Housing Authority
Department of Economic and Community Development (CT)
Deutsche Bank
Dime Bank
District of Columbia Housing Authority
Dundee Bank
Eagle Bank
Enterprise Bank
Erie Bank
Exchange Bank
Fairfield County Bank
Farm Credit East
Farmers & Merchants Bank of Long Beach
Farmington Bank
Fifth Third Bank
First Bank
First Bank and Trust of IL
First Bank of Boulder
First Bank of Lake Forest
First Business Bank
First Citizens Bank
First Citizens Bank & Trust
First Community Bank
First County Bank
First Financial Bank
First Merit Bank
First Mountain Bank
First National Bank
First National Bank of Boulder
First National Bank of Central Texas

First Niagara Bank
First Republic Bank
First State Bank & Trust
First Utah Bank
First Western Trust
First-Ring Industrial Redevelopment Enterprise (FIRE)
Five Star Bank
Flatirons Bank of Boulder
Folsom Lake Bank
FRA Centennial Bank of the West
Frandsen Bank
Frank and Jennifer Delgreco
Free and Clear
GE Credit Union
Genworth Life Ins. Co
Glacier Bank
Golden Pacific Bank
Golden Valley Bank
Great Western Bank
Greater Sacramento Development Corp.
GRS Realty, LLC
Guaranty Bank
Hanmi Bank
Happy State Bank
Helaba Landesbank Hessen-Thüringen
Henthorn Family Trust
Heritage Bank of Commerce
Home Savings Bank
Hometown Bank
Horicon Bank
HSH Nordbank
Huntington National Bank
iBorrow
ILS Lending LLC
Independence Bank
Independent Bank
J.P. Morgan Chase
Jet Lending
JR&B
Key Bank
KeyCorp

300 LENDERS

PARTICIPATION ■ CONSENT ■ APPROVAL

Layne Foundation
Lehman Brothers
Liberty Bank
Lincoln Savings Bank
Litchfield Bancorp
LoanCore Capital
LP 1
M&T Bank
Marion Haddad
McCarthy Baker
McCoy Ventures
Mechanics Bank
Mechanics Bank & Greater
Sacramento Cert. Develop.
Corp
Mercedes Benz Financial
Services
Merchants Bank of Indiana
Metlife
Metropolitan Life Insurance
(and as LIHTC Investor)
Michigan Business
Connection LLC
Mid First Bank
Middlefield
MidFirst Bank
Midland States Bank
Midwest Bank
Midwest Regional Bank
Milwaukee Economic
Development Corporation
Monson Savings Bank
Mortgage Calmwater Capital
Mortgage Investors
MT Funding
Mutual of Omaha Bank
National Iron Bank
New Resource Bank
Newtek Small Business
Finance, LLC
Newtown Savings Bank
NorthEast Community Bank
Northwest Bank
Northwest Mutual Insurance
Northwestern Mutual
NUVO Bank

NY State Teachers' Retirement
System
Oritani Bank
Pacific Alliance Bank
Pacific Life Insurance
Pacific Premier Bank
Pacific Union Association of
Seventh Day Adventists
(Parker Mortgage &
Investment Company)
Paradigm Capital Group
Park National Bank
Park View Financial Fund
Patriot Bank
Pender WEST Credit 1 REIT
LLC
People's National Bank
Peoples Bank of
Massachusetts
Peoples United Bank
Perpetual Federal Savings
Plumas Bank
Preferred Bank
Premier Bank
Premier Valley Bank
Presbyterian Church
Investment & Loan Program,
Inc.
Priority Investor Loans
Private Lender
ProAmerica
Prosperity Bank
Protective Life Insurance
Prudential Insurance
PyrMax Bank
Redevelopment Authority of
the City of Milwaukee
Redwood Credit Union
Riversource Life Insurance
Company
Rockland Trust
Rockville Bank
Royal Bank of Canada (as
LIHTC Syndicator)
Royal Credit Union
S&T Bank

Salisbury Bank & Trust
Santa Cruz County Bank
Savings Institute Bank & Trust
Security Bank of Kansas City
Security National Bank
Security Service Federal Credit
Union (SSFCU)
Simsbury Bank
Sonoma Bank
SSFCU
St. Louis Bank
StanCorp Mortgage Investors
Standard Life Insurance
State Bank of Cross Plains
State Bank of Delano
Stearns Bank
Sterling Savings Bank
Stock Yards Bank & Trust
Stonebriar Commercial
Finance
Summit State Bank
Synovus Bank
TBK Bank
TCF Bank
TD Bank
The Commercial & Savings
Bank
The Episcopal Church in
the Diocese of Northern
California Endowment Trust
The Farmers & Merchants
State Bank
The First National Bank of
McGregor (TFNB)
The Private Bank & Trust
The Standard-Stancorp
Mortgage Investors
Thomaston Savings Bank
Thrivent Financial
Torrey Pines Bank
Toyota Financial Services
Tradition Capital Bank
Tri City National Bank
TriCounties Bank/Private party
TruePartnerCredit Union
Two Rivers Bank & Trust

UC Flashcube Holder LLC
UMB Bank
Umpqua Bank
Union Bank
Union Savings Bank
United Bank
United Bank & Trust
UPS Capital Business Credit
US Bank
US Department of Agriculture
(USDA)
US Small Business
Administration (SBA)
Vectra Bank
Washington Trust
Waterbury Development
Corporation
Waterford Bank
Waypoint bank
Webster Bank
Wells Fargo
Wesbanco
West America Bank
Westerly Community Credit
Union
Western Bank
Westfield Bank
Whitcraft LLC
Whittier Trust Company of
Nevada
Wilshire Bank
Windsor Federal Savings
Wisconsin Economic
Development Corporation
(WHEDA)
Wisconsin Housing and Econ.
Dev Authority (WHEDA)
Wright-Patt Credit Union, Inc.

