



Frequently Asked Questions

What is Commercial PACE (C-PACE)?

PACE stands for Property Assessed Clean Energy. It is a financing tool that provides low cost, long-term capital for energy/water efficiency projects. PACE payments are secured by the property and repaid through a special tax assessment, serving as a true public-private funding partnership.

PACE legislation is enacted on a state-by-state basis. Please go to <https://stonehillstrategiccapital.com/pace-lending/> to see an overview of states that have passed C-PACE legislation. Because PACE functions like a property tax, municipalities need to pass a legislative ordinance to participate in C-PACE districts that oversee applications for funding.

Simply put, C-PACE is a highly attractive financial tool for commercial developers and property owners to close the gap in the capital stack or improve ROI for their project.

What are the benefits of C-PACE financing?

- Funding for up to 25% of the appraised property value
- No personal guarantees
- Up to 30-year fixed rate funding
- Lower rates/cost than mezzanine debt or equity
- Ability to delay first payment until after stabilization (up to two years after funding date)
- No principal repayment required upon sale
- Ability to pass through tax assessment to tenants or hotel guests

What types of improvements qualify for C-PACE?

C-PACE can be used to finance a wide variety of building improvements. Anything that is affixed to the property and affects the building's energy/water use can qualify. A partial list includes:

- HVACR
- Building envelope
- Renewable energy
- Lighting and electric
- Water efficiency
- Associated soft costs

In some states, seismic (CA) and storm resiliency (FL) improvements will qualify.

Will I have to change my construction design to qualify for C-PACE funding?



At STONEHILL, our goal is to maximize your C-PACE funding without adding any cost or changing your design. We have deep expertise in energy engineering and can find the elements of your current plan that will qualify for C-PACE funding, identify the savings that will result, and help package those components to get approval from the C-PACE district administrators. In nearly every case, we are able to find enough energy savings from your current design to qualify for your desired amount of C-PACE funding.

Will my mortgage lender agree to this?

We encourage you to get as much mortgage debt as you can from your bank, as mortgage loan rates are likely going to be your cheapest option for financing. If you have a gap in your capital stack after your mortgage and any other incentives, that's where C-PACE fits nicely.

Commercial PACE capital providers do require your mortgage lender to provide consent in order to place a C-PACE assessment on a property. STONEHILL Capital works with your mortgage lender to explain the benefits of C-PACE and the impact on their loan. STONEHILL can also suggest mortgage lenders who have signed off on C-PACE deals in the past. To date, over 200 financial institutions across the country have provided lender consent for C-PACE deals.

C-PACE works like a property tax assessment, so any current and unpaid tax payments would be senior to your mortgage debt. In the event of a foreclosure, only the outstanding C-PACE assessments would go in front of your mortgage. The annual payments for the rest of the term would remain with the property and can transfer to the next owner. In other words, they run with the land.

What happens if I want to sell the building?

You have two options. You can pre-pay your C-PACE assessment balance or you can leave the future assessment payments with the property and they will transfer to the next property owner.

What is the approval process like?

The approval process starts with the lender consent, which STONEHILL has a very strong track record of securing. The next step is to complete an energy engineering report to assess the projected energy savings of the improvements. STONEHILL will internally underwrite the project and then shop it to selected C-PACE capital providers to ensure the best rates and terms for your project. Finally, we will work with you to submit an application to the appropriate C-PACE program administrator.

STONEHILL manages all aspects of the application process. In most districts, approval takes just 2-4 weeks. The entire underwriting process takes approximately three months from the time STONEHILL is engaged until closing.

Will funds run out?

Unlike other tax incentives, these are tax assessments and there is an unlimited pool of private capital looking to be invested into C-PACE transactions.

What are the underwriting criteria?

- The property must have clear title with no liens and taxes must be current.



- The borrower should have no bankruptcies over the last five years.
- The project must have a useful life longer than the term of the projected financing.
- The overall savings should be greater than the cost of the C-PACE assessment over the term of the loan.
- C-PACE funding for up to 25% of the property's appraised or assessed value at completion.
- No existing environmental issues.