

C-PACE is Minnesota's most cost effective way to improve commercial building sustainability.

C-PACE drives day-1 savings



Financing is fixed rate, non-accelerating, non-recourse, and fully amortizing over the useful life of the equipment



Open to prepayment or transfers automatically upon property sale



C-PACE interest during the construction period is fully capitalized in the assessment amount



Assessment structure allows mortgage lenders to maintain first lien position



Financed improvements increase property value



Utility bill savings may offset C-PACE payments and improve NOI

- Minnesota's Commercial Property Assessed Clean Energy (C-PACE) program, administered by SPPA, makes clean energy a smart financial decision for commercial property owners.
- Private financing funds 100% of the hard and soft costs of commercial building upgrades and new construction elements that improve energy performance
- Improvements are typically cash flow positive from day one, as energy savings generally cover the cost of repayment.

How does C-PACE work?

C-PACE is a public-private partnership

- Designed to help commercial building owners invest in their property while seeing day-one savings

Private lenders like Nuveen Green Capital and PACE Loan Group provide financing

- 100% financing of hard and soft costs is provided to projects that meet the requirements of state and local PACE administrators

Project savings help pay back the cost of improvements

- Building owners pay back the up-front funding via a special assessment charge added to their property tax bill.

PACE projects reduce energy bills and often qualify for incentives and tax benefits

C-PACE is smart business

Requires \$0 out of pocket and allows long (up to 30 years in most states) payback periods

- Projects cash flow from day one and increase over time

Provides numerous tax benefits

- Interest is tax deductible
- Full realization of tax credits and depreciation

Attractive financing

- Competitive rates
- Conserves owner equity

Increases property value

- Boosts net operating income
- Helps attract and retain tenants by modernizing buildings

Preserves owner flexibility

- Secure funding for owners (fixed rate, non-recourse)
- No repayment on sale
- Can be passed through to tenants under most lease structures
- Accessible to those with non-investment grade credit

2024 C-PACE Legislation:

- 1** **Increase the maximum financing term to 30 years**, to bring this bill in line with most C-PACE statutes across the country and more accurately reflect the average useful life of the financed equipment.
- 2** **Remove the "cost effectiveness" standard**, which limits overall project sustainability achievement, and prevents projects like building electrification and decarbonization.
- 3** **Add building resiliency as an eligible financing measure**, allowing building owners to strengthen their buildings against natural disasters and mitigate greenhouse gas emissions.
- 4** **Increase the LTV limit to 30%** for the improved property, bringing Minnesota in line with other states.

By The Numbers:

C-PACE in MN - Through 2023

- **28** Projects Funded in 2023
- **436** Cumulative Projects
- **\$51M** Funded in 2023
- **\$319M** Cumulative Funding



Traditional capital stack

Mortgage
\$16.25M @ 9% cost

Mezzanine
\$2.5M @ 15% cost

Equity
\$6.25M @ 15% cost

Capital stack with C-PACE

Mortgage
\$16.25M @ 9% cost

C-PACE
\$5M @ 7% cost

Equity
\$3.75M @ 15% cost

weighted average cost of capital

11.1%

9.5%

weighted average cost of capital

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