

# PACE

## FOR BANKING PROFESSIONALS

PROPERTY ASSESSED CLEAN ENERGY

### PACE BASICS

PACE is a financing mechanism for energy efficiency and renewable energy projects, that provides property owners with benefits that typical lending institutions may not be able to offer. PACE capital can be provided for 100% of a project's hard and soft costs at low interest rates with terms up to 20 years. PACE financing is repaid as an assessment on a property's tax bill, so a delinquent balance has senior claim to other liens. If a property is sold before the PACE term is completed, it automatically transfers to the new owner along with the savings from the energy project.

### INCREASED DEBT SERVICE COVERAGE RATIO

Many properties use PACE to install solar panels or upgrade obsolete heating/cooling equipment to save money on utility costs. This decreases the building's operating costs, which increases the Debt Service Coverage Ratio. PACE makes good financial sense for the building owner, and therefore, the existing mortgage holder.

### INCREASED CASH FLOW

PACE financing terms extend up to 20 years, which means repayments can be amortized throughout the cumulative useful life of most projects. This allows for annual energy savings to exceed the annual PACE payments, increasing cash flow to the property owner and raising net operating income. Positive cash flow enhances the property owner's ability to pay an existing mortgage or other existing expenses.

### INCREASED COLLATERAL VALUE

Commercial real estate value is typically based on net operating income (NOI). As NOI increases, so does the value of the mortgage holder's collateral. Many energy efficiency and renewable energy upgrades also increase the resale value of the property, and the existing collateral value.

### EXISTING INDUSTRY ENGAGEMENT

Depending on the project, PACE may offer an opportunity for local banks to provide construction term financing or other bridge capital. There are also prospects in the secondary markets and securitization realm.

PACE is accepted as a valid and effective financing tool within the banking industry, which is reiterated on a regular basis as mortgage holders consistently give their consent to PACE projects. As of October, 2016, over 120 lending institutions have given consent, from regional financiers to the largest national banks. For a complete listing, please visit [pacenation.us/mortgage-lenders](http://pacenation.us/mortgage-lenders).

### BENEFITS OF PACE

PROPERTY OWNER  
IS CASH FLOW POSITIVE

ENHANCES PROPERTY  
OWNER'S ABILITY  
TO PAY DEBT

INCREASES VALUE  
OF COLLATERAL

LENDER CONSENT  
REQUIRED

CONSTRUCTION  
TERM FINANCING  
OPPORTUNITIES



PACENation is the national, nonprofit advocate for PACE financing. We provide leadership, data, support and resources for the growing marketplace.

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