C-PACE Article

Why C-PACE Financing Is Gaining Ground for Commercial Property Retrofits

Commercial property owners face rising energy costs, tighter regulations, and growing tenant expectations for efficient, resilient buildings. Traditional financing often falls short for major retrofit work. That is why more owners are turning to Commercial Property-Assessed Clean Energy (C-PACE) financing.

C-PACE lets you fund energy-efficiency upgrades, renewable energy systems, water conservation measures, and certain resiliency improvements through a special assessment on the property tax bill. The financing is tied to the property, not the owner. Repayment typically stretches 20–30 years at fixed rates, and the obligation transfers with the property if you sell.

Why Demand Is Rising

Stricter building codes, emissions rules, and higher utility bills are forcing owners of older properties to act. In markets like New York City, non-compliant buildings face substantial fines. Nationwide, C-PACE volume has grown rapidly as more states and municipalities adopt programs. As of recent data, billions have already been deployed across thousands of commercial projects.

The structure works especially well for existing buildings. Project costs can be covered up to 100 percent, including soft costs, so less equity or mezzanine capital is required. Energy savings and lower operating expenses often offset a meaningful portion of the assessment payment, improving net operating income over time.

How C-PACE Differs from Conventional Loans

Unlike a standard commercial mortgage or equipment loan, C-PACE is non-recourse to the owner and stays with the asset. Lenders underwrite primarily against the property's ability to support the assessment and the projected savings, rather than solely against the borrower's balance sheet. This can open doors for properties that might struggle under traditional debt-service coverage or loan-to-value tests for large capital projects.

Qualifying work commonly includes:

- Solar panels and related equipment
- High-efficiency HVAC systems
- Building envelope improvements
- LED lighting and controls

- Water conservation systems
- Certain seismic or hurricane resiliency measures (where authorized)

Availability depends on state legislation and local program participation. Currently more than 40 states plus Washington, D.C., have enabling authority, though active programs vary by municipality.

Key Advantages for Owners

- **Capital preservation** – Avoid large cash outlays while still completing high-ROI work.
- **Predictable long-term payments** – Fixed rates and extended terms reduce interest-rate and refinancing risk.
- **Improved cash flow and value** – Lower utility and maintenance costs support higher net operating income and stronger appraisals.
- **Risk reduction** – Address deferred maintenance and regulatory exposure before fines or insurance pressure force reactive spending.
- **Transferability** – The assessment stays with the property, which can make the asset more attractive to long-term buyers.

Questions Worth Asking Before You Proceed

1. What specific upgrades will deliver the strongest savings and regulatory compliance for this building?
2. Is C-PACE available in the property's jurisdiction, and what local program rules apply?
3. How do projected energy and operating savings compare with the assessment payment over the term?
4. How will the assessment interact with any existing mortgage or future refinancing plans?

C-PACE is not the right tool for every project, but for many owners it offers a practical way to modernize buildings, control costs, and protect long-term value without tying up large amounts of equity. When structured carefully and paired with a clear understanding of underwriting and cash-flow impact, it can help position both the property and the borrower more favorably with capital providers.

If you are evaluating retrofit financing options, the next step is to map your project scope, confirm local program availability, and stress-test the numbers the way a lender will. That preparation is what turns a good idea into a fundable transaction.