



# PACE FINANCING

## PACE's Background

Property Assessed Clean Energy (PACE) is a powerful tool that allows you to overcome many of the financial challenges to solar. PACE for commercial buildings, or C-PACE, has been approved via enabling legislation in 34 states including Minnesota, where it's administered through the St. Paul Port Authority. Businesses can now pay for solar systems through a special assessment on their property taxes.

## Cashflow Positive

Property owners love PACE because they can fund projects with no out-of-pocket costs. Since PACE financing terms extend to 20 years, it's possible to undertake deep, comprehensive retrofits that have meaningful energy savings and a significant impact on the bottom line. The annual energy savings for a PACE project usually exceeds the annual assessment payment, so property owners are cash flow positive immediately. Before your first payment, you earn a 30% Investment Tax Credit, and bonus depreciation. Roughly 50% of the system cost is recuperated before making the first payment.

## Long Term Energy

Payments are rolled into a special tax assessment made payable twice per year as part of the building owner's property taxes; the first payment is due in May of the following year. After it's paid off over the 10 to 20-year assessment, you'll have free energy production for 25-30 more years. If you move buildings, the assessment stays with the property tax I.D. and the project is not considered long-term debt, but instead, an operational expense.



## Major Benefits

- **20 Year Financing:** PACE allows up to 20+ year financing terms that do not need to be paid-off upon a refinancing or sale of the property.
- **Solves Split Incentive:** PACE can mitigate the complex split incentive issue common in commercial real estate, particularly in so-called 'triple net leases' where tenants pay property taxes, energy bills, improvements, and other costs.
- **Runs with the Land:** The PACE lien stays with the property, whereby payments generally transfer to the new owner without issue.
- **Frees up Cash:** PACE frees up cash so a company does not have to decide between installing solar or investing in projects that are closer to their core business.
- **Third-Party Ownership:** Entities without a tax appetite can utilize PACE with a third-party ownership structure which allows the developer to monetize tax incentives to subsidize the solar project.
- **100% Financing:** PACE can finance 100% of the project costs, including the related improvements such as necessary roof repair and replacement. Soft costs that are not eligible for the solar Investment Tax Credit (ITC) such as legal and broker fees are also included in the PACE financing.
- **Works Well with Other Incentive Programs:** PACE can be utilized in conjunction with many existing tax credit and incentivized development programs.