

Partnering with Mortgage Lenders Through Credit-Positive C-PACE Capital



C-PACE (Commercial Property Assessed Clean Energy) financing has become an increasingly common component of the U.S. commercial real estate capital stack, with active programs in 37 states plus the District of Columbia. As adoption continues to accelerate—total C-PACE investment has surpassed \$10 billion nationwide and is projected to grow meaningfully over the next decade—lenders and borrowers alike are incorporating C-PACE as a permanent, infrastructure-focused capital solution that aligns with long-term asset performance and credit outcomes. That’s why CastleGreen Finance is reaching out to a select group of mortgage lenders—to build a mutually beneficial relationship that supports informed, efficient consent to C-PACE, and unlocks long-term value for both senior lenders and borrowers.

What Is C-PACE?

C-PACE is an assessment-based financing structure that enables commercial property owners to fund eligible energy efficiency, water conservation, renewable energy, and resiliency improvements using private capital. The financing is repaid through a voluntary special assessment collected on the property tax bill and recorded in the land records, tying repayment to the property rather than borrower credit. State statutes provide mortgage holders notice and cure rights, allowing C-PACE to be structured in a manner that preserves the mortgage holder’s fee mortgage and enforcement rights while supporting building performance, operating expense stability, and long-term collateral durability.

Eligible Uses

C-PACE can finance qualified commercial property improvements that support energy and water savings and resiliency, including:

- Energy efficiency upgrades (HVAC, lighting, envelope, controls)
- Renewable energy measures (battery storage, solar)
- Water conservation measures (low flow fixtures)
- Resiliency measures (when eligible by state)

How Does It Work?

C-PACE provides long-term, amortizing financing that aligns with the useful life of the improvements. At closing, the transaction converts repayment into a voluntary special assessment recorded in land records, and the owner repays it through property tax payments.

Mortgage Lender Consent

C-PACE programs require mortgage lender consent to ensure all lenders are comfortable with the provisions inherent in C-PACE financing so mortgage lender participation in a transaction with C-PACE is always voluntary and transparent.

How Does It Work with Senior Debt?

- Owners repay C-PACE through the property tax bill as a dedicated line item.
- C-PACE does not push the mortgage lender into a junior position while the assessment is current; the mortgage lender maintains its first lien, fee mortgage, position with traditional rights and remedies.
- C-PACE does not accelerate. If delinquency occurs, collection targets the delinquent amount rather than the full remaining assessment. This is consistent with property taxes, and the assessments are afforded the same protections as property taxes in the event of non-payment.
- C-PACE statutes extend notice and cure rights to the mortgage holder (and the property owner).

Why Lenders Say “Yes”

1. **Collateral enhancement:** C-PACE funds improvements that can reduce utility and maintenance costs and support operational efficiency. Commercial tenants and managers are placing greater emphasis on energy-efficient, sustainable buildings, with a focus on making them more marketable.
2. **Lower refinance pressure:** C-PACE can replace higher-cost mezzanine-style gap capital and reduce interest carry costs, which can reduce refinancing risk.
3. **Lender control options:** Mortgage lenders can escrow C-PACE payments the same way they escrow real estate taxes.
4. **Remedies stay intact:** C-PACE financing is passive and does not restrict mortgage lender foreclosure; you can exercise standard remedies without third-party influence.
5. **Client value:** C-PACE can offer a lower-cost alternative to certain equity-gap options, which can help borrowers execute capex without over-stressing mortgage proceeds.

Contact

We welcome the chance to partner with aligned mortgage lenders. Please contact CastleGreen at info@castlegreenfinance.com.



FINANCING SUSTAINABLE ENERGY PROPERTIES