

# The Connecticut Green Bank's C-PACE Program: Low-cost, Long-term Financing for Clean Energy Upgrades

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The Connecticut Commercial Property Assessed Clean Energy (C-PACE) program enables commercial, industrial, and multi-family building owners to access affordable, long-term financing for smart energy upgrades to their buildings. These upgrades save property owners money and increase property values. The Connecticut Green Bank launched Connecticut's C-PACE program in January 2013 and it quickly became the largest commercial PACE program in the US—surpassing programs that had been around for years. In its first 22 months, C-PACE approved nearly \$50 million for more than 60 clean energy projects, which will result in the deployment of over 8 megawatts of solar energy and myriad energy efficiency improvements across over 4 million square feet of buildings.

## **Financing Clean Energy and Growing Green Investments**

With C-PACE, building owners are able to secure 100% upfront financing for clean energy upgrades to their businesses and buildings. Property owners place a voluntary assessment on their property tax bill, and then pay for clean energy improvements over time through this additional charge. Capital provided under the C-PACE program is secured by a lien on the property, so low-interest capital can be raised from the private sector, with no government financing required. Building owners can be cash-flow positive from day one, because of the long term of C-PACE financing. This allows them to do deeper energy upgrades than they otherwise would have done. The repayment obligation transfers to the next owner if the property is sold.

The Connecticut Green Bank developed and manages Connecticut C-PACE. Although PACE financing has been in practice for years, Connecticut's C-PACE program has achieved notable success with its many innovations. Within a year of its launch, it was the largest in the country and brought \$20 million in financing to clean energy projects in Connecticut. In May 2014, it reached a landmark in its short history with the first-ever securitization of its commercial energy-efficiency loans. Achieving this "[holy grail of energy efficiency finance](#)," the deal helped prove that energy efficiency is able to attract private capital, catalyzing the PACE market and energy efficiency financing across the country. The Connecticut Green Bank also played a significant role in demonstrating proof of the warehouse model (whereby a portfolio of transactions—a "warehouse" of financed projects—which share a similar structure and underwriting standard could be bundled for sale in the financial markets) for commercial PACE loans that were used to fund energy efficiency in Connecticut commercial buildings.

## **Deploying Projects and Saving Money**

C-PACE has energized the state's clean energy economy by attracting private investment and deploying more clean energy to achieve greater public benefit. One hundred Connecticut municipalities accounting for more than 83 percent of the state's commercial and industrial building stock have signed onto the program, allowing for a tax lien to be placed on the property and the assessment to be serviced. The security of the tax lien provides confidence to the private market that the financing will be repaid and therefore private capital can flow to qualified buildings. In 2014, the C-PACE program completed the first commercial PACE securitization. This transaction represented the first known securitization of commercial energy-efficiency loans and [demonstrated liquidity](#) in the C-PACE market. For building owners, the access to low-cost, long-term financing allows them to do deeper energy upgrades than they otherwise would have done, which in turn benefits the public sector by providing more economic activity and environmental improvements in participating municipalities.

Since launching C-PACE, the Green Bank has approved over 60 projects totaling nearly \$50 million. The Green Bank has used its balance sheet to finance these transactions and then sold the transactions in bundles of roughly \$10 million to a private capital provider. Closed and approved projects will result in a total savings in avoided electric and fuel costs that will exceed \$97 million in aggregate for the property owners. Projects closed and approved in the first 18 months of the C-PACE program alone will lead to an estimated 160 million kWh in electric savings and over 320 million MMBTU in fuel savings over the lifetime of the projects.

## **Transferring Success to Other States and Cities**

C-PACE is an excellent example of effective collaboration between the state, municipalities, and the private sector. The Connecticut Green Bank shares its work and resources with other agencies and organizations that have an interest in replicating its C-PACE model. It readily shares the documents underpinning the Commercial PACE program, as well as marketing materials aimed at ramping up demand and lessons learned.

Jessica Bailey, Director of Commercial and Industrial Programs at the Connecticut Green Bank, has been the leader in developing the C-PACE Program. In 2014, she was named a "Champion of Change" by the White House for solar deployment, and the Hartford Business Journal dubbed her a "Green Warrior" for her work to design the successful Connecticut C-PACE program. She recently joined PACENow as a Senior Fellow where she will be able to share her expertise with people and organizations throughout the U.S. who are making PACE financing available to building owners for energy efficiency and renewable energy projects.

## Program Highlights

- With C-PACE, building owners are able to secure 100% upfront financing for clean energy upgrades to their businesses and buildings.
- Within a year of its launch, Connecticut's C-PACE program was the largest in the country. The Connecticut Green Bank has approved over 60 projects totaling nearly \$50 million.
- One hundred Connecticut municipalities accounting for over 83 percent of the state's commercial and industrial building stock are participating in the program.
- The C-PACE program had the first securitization of its commercial energy-efficiency loans in May 2014, the first known transaction of this kind. This helped prove that energy efficiency is able to attract private capital.

The Connecticut Green Bank's C-PACE program was one of eight recipients of the [2014 State Leadership in Clean Energy Awards](#), an initiative of the Clean Energy States Alliance (CESA) to highlight exemplary state and municipal programs that advance clean energy markets. (See my previous blog from [November 24, 2014](#).) CESA will be hosting a webinar featuring this program on January 16th. The webinar is free to attend, but registration is required. You can learn more and [register here](#) or visit [www.cesa.org](http://www.cesa.org).