

C-PACE Lenders Line Up in NYC

Commercial Property Assessed Clean Energy financing agreements already are taking shape in New York City, even before official origination guidelines are in place.

The activity reflects recent progress in the development of that blueprint. After some three years of development, the city's PACE-program administrator, known as **NYCEEC**, released proposed procedures in October 2020 and finished taking comments in December.

A final version is almost ready.

But with a huge volume of opportunities available to them, PACE professionals don't want to wait. Many have spent more than a year hiring staff with connections in the city's commercial real estate market while talking to property owners about possible financing agreements.

A large proportion of the borrowers would use the capital to bring their buildings into compliance with tough and costly energy-efficiency requirements that begin to take effect in 2024 under New York City's Climate Mobilization Act. To that end, expectations are that the program "will open with a bang," said **Mansoor Ghori**, chief executive of originator **Petros PACE**.

"We've already got projects in New York City that are ready to go," he added. One would approach \$100 million, with others in the vicinity of \$25 million.

Petros' financing includes capital for improvements to office and industrial buildings. Other originators are looking at industrial properties and apartment buildings in the city's outer boroughs.

Multi-family buildings with even one rent-controlled unit initially were supposed to be exempt from carbon-emissions caps under the Climate Mobilization Act, thus making them less fertile for PACE financing. But in October, the **New York City Council** passed a bill expanding the number of buildings that must comply by setting the rent-control threshold at 35% of each property's units.

As for the terms of the financing packages, industry participants have characterized the NYCEEC's proposal as lacking detail and have asked the non-profit organization for more clarity. Some have presented general non-binding terms to clients, with Petros, for example, underwriting its early agreements in accordance with the preliminary guidelines.

Other originators say they are working on the assumption



that the final guidelines will be similar to those for New York State's PACE program, which is run by the non-profit **Energy Improvement Corp.**

Some of the PACE liens resulting from the New York City program could be funded through securitization, potentially in large volumes. The initiative is expected to be a major contributor to this year's commercial PACE lending activity, which by some estimates could double the 2020 count of \$500 million.

Developing PACE programs in large cities such as New York is inevitably complex because of the number of groups that want a say. It's also possible the city is taking its time specifically because it's aware that originators are gearing up for a quick start. "They want to be sure and get things right," one source said. ❖