



UNLOCKING ECONOMIC DEVELOPMENT THROUGH TEXAS C-PACE

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Introduction

Economic development has long been a cornerstone of municipal strategy, viewed as essential for job creation, fiscal health and community vitality. As cities and counties compete for business, residents and investment, the condition and efficiency of the built environment have become critical differentiators. Commercial properties that are outdated or inefficient often become economic dead zones — underutilized, costly to maintain and unattractive to tenants.

Local governments are encouraging efficiency upgrades to minimize the strain on infrastructure and support sustainable growth. Unfortunately, implementing green initiatives often requires substantial upfront capital, something many private property owners are reluctant or unable to provide or secure. Public financing options are limited, and municipalities are cautious about committing taxpayer dollars to private sector projects.

One emerging solution is Commercial Property Assessed Clean Energy (C-PACE) financing, a mechanism that puts private dollars into private projects that prioritize energy-efficiency, water conservation and renewable energy. The tool provides long-term, fixed rate financing for building improvements that enhance sustainability and economic value, and because it is privately funded, it does so without the help of taxpayer dollars.

This white paper outlines the transformative potential of C-PACE as a tool for local economic development, with a focus on implementation, benefits and real-world success stories.

C-PACE allows commercial property owners to finance conservation upgrades through a voluntary assessment on the property, enabling the reduction of operating costs and increased property values while contributing to sustainability goals. For municipalities, it offers a zero-cost way to attract new investment or revitalize underperforming commercial districts.

The following pages detail how C-PACE works, its alignment with economic development and sustainability objectives and its proven success across Texas through projects facilitated by Lone Star PACE.

Why C-PACE?

BRIDGING THE GAP BETWEEN PUBLIC POLICY AND PRIVATE INVESTMENT

Local governments frequently grapple with three interconnected challenges that sustainable investment could help to address. Meanwhile, the private sector could help to overcome those hurdles while also achieving their own unique goals.

1. **Revitalizing Aging and Underutilized Commercial Properties:** These properties are often energy-inefficient and unattractive to modern tenants, resulting in high vacancy rates and declining property tax revenue.
2. **Achieving Sustainability Goals:** Meeting local, state or federal environmental targets requires reducing emissions and conserving energy, especially in the commercial real estate sector.
3. **Doing More with Less:** Municipalities must navigate these challenges while facing budget constraints and a desire to keep taxes at bay.

Meanwhile, the private sector faces its own barriers:

1. **High Upfront Costs:** The initial investment in retrofits and modernization often discourages investment.
2. **Inadequate Access to Financing:** Projects in secondary markets or distressed areas are especially prone to funding barriers.
3. **Pressure to Deliver Strong ROI:** Developers are expected to achieve high returns while minimizing risk.

A mechanism was needed to bridge this gap — one that aligns the goals of public policy with private investment. C-PACE is a win-win solution for both parties because it allows private property owners to access competitive financing for energy-efficient upgrades, reducing operating costs and enhancing long-term property values and cash flow. At the same time, it supports local governments by driving economic development, creating jobs and reducing carbon emissions without requiring taxpayer funding. This innovative financing model aligns public sustainability goals with private sector profitability, creating a powerful tool for community revitalization.

What is C-PACE?

Commercial Property Assessed Clean Energy (C-PACE) is an innovative financing mechanism that enables property owners to obtain long-term, low-cost funding for energy efficiency, water conservation, renewable energy and resiliency improvements. The financing is secured through a voluntary assessment on the property. Because of this high security interest, capital providers offer attractive financing terms, which align with the useful life of the improvements and can extend up to 30 years.

KEY FEATURES



Private Capital

C-PACE projects are funded by private capital providers, not taxpayer dollars.



Repayment

The financing is secured by the property and repaid as a n assessment. Payments are made directly to the capital provider, similar to a standard commercial loan.



Non-Recourse and Non-Accelerating

Because the financing is tied to the property, the borrower is not personally liable for repayment. In the event of a default, only delinquent payments come due — the balance of the financing is not accelerated.



Transferability

In the event of a sale, the assessment can stay with the property or be repaid. This provides additional options while reducing the risk for owners.

BENEFITS FOR LOCAL GOVERNMENTS



- Attracts private investment into communities
- Upgrades building stock and energy infrastructure
- Improves property values
- Supports resource conservation and sustainability goals

BENEFITS FOR PROPERTY OWNERS



- Reduces operating costs through efficiency upgrades
- Frees up capital for core business investments
- Enhances property value and tenant satisfaction
- Offers long-term, fixed-rate financing for up to 35% of a property's appraised value
- May improve debt-service coverage ratios and cash flow



How C-PACE Fuels Local Economic Development

Since its legislative enablement in 2013, C-PACE in Texas has grown rapidly, with counties and cities across the state adopting the program to support local economic development and sustainability goals. Lone Star PACE serves as an administrator for C-PACE programs throughout Texas, facilitating impactful projects that demonstrate the tool's full potential.

C-PACE drives development and revitalization in five major ways:

Modernizing Commercial Infrastructure

Many communities suffer from aging commercial building stock. These properties often lack the infrastructure and amenities needed to attract tenants in today's market. C-PACE enables owners to fund critical upgrades — such as HVAC systems, lighting, plumbing and insulation — while freeing up capital to make other investments that drive tenancy.

Stimulating Investment in Secondary Markets

High-potential but overlooked areas, like smaller cities and suburban districts, often struggle to attract capital. C-PACE financing makes these investments more attractive by filling financing gaps and enabling owners to pursue upgrades without sacrificing equity or taking on high-interest debt.

Driving Job Creation and Economic Activity

Every C-PACE project brings with it a flurry of economic activity, such as construction jobs, professional services and long-term operations. These improvements also attract tenants and businesses, amplifying the economic ripple effect.

Reducing Environmental Impact

By improving energy and water efficiency, C-PACE projects support local and statewide sustainability goals. These upgrades reduce strain on local utilities and the statewide power grid while helping municipalities meet environmental benchmarks.

Improving Property Tax Revenue

Underutilized and vacant properties often contribute little to the tax base. C-PACE-enabled improvements can lead to increased occupancy and higher property values, which can restore or enhance tax revenue for local economic development.

Local Government Implementation and C-PACE Support

Implementing a C-PACE program involves a few key steps:

Establish a C-PACE Program

Local governments must post a program report, hold a public hearing and approve two resolutions allowing the use of C-PACE within their jurisdiction. This occurs over a two-meeting process.

Designate a Program Administrator

Municipalities authorize a third-party administrator (Lone Star PACE) to facilitate a C-PACE program on their behalf.

Promote the Program

Public outreach and stakeholder engagement are critical to ensuring property owners, developers and financial institutions understand the opportunity.

Integrate with Economic Development Strategy

Municipalities can incorporate C-PACE when introducing property owners to other benefits, as it pairs well with incentives such as tax increment financing (TIF) and Opportunity Zones.



Success Stories: C-PACE Projects Driving Real Impact

Since 2020, Lone Star PACE has facilitated \$338 million in C-PACE assessments for projects totaling \$1.5 billion, resulting in a cumulative annual savings of 13.5 kWh in energy use and 21,000 kGals in water use. In addition to utility conservation, C-PACE also helps to create jobs and relieve pressure on the Texas power grid, further positioning the state as a leader in global economies.



PANDA BIOTECH – WICHITA COUNTY

In Wichita Falls, Lone Star PACE facilitated a \$13.4 million C-PACE project with Panda Biotech, transforming a vacant industrial building into the second-largest natural fiber processing facility in the world. The improvements led to a **68% reduction** in energy use and a **94% reduction** in water use. The project brought dozens of jobs to the area and positioned Wichita Falls as a leader in sustainable manufacturing.



VIVA CENTER – HARRIS COUNTY

ViVa Center, a vacant flagship office campus in Houston, was retrofitted into a mixed-use development that will feature a 774,000-square-foot data center. With \$40 million in C-PACE financing, the property received envelope, lighting, plumbing and HVAC upgrades. The improvements are expected to result in an **11% reduction** in energy use and a **69% reduction** in water use while setting the stage for economic revitalization and tech-sector growth.



MEADOW PARK TOWER – DALLAS COUNTY

Meadow Park Tower, a 263,000-square-foot office building in North Dallas, was facing declining occupancy and outdated infrastructure. A \$3.5 million C-PACE investment funded envelope, lighting, HVAC and plumbing improvements, leading to an expected **25% reduction** in energy use, a **28% reduction** in water use and a **42% reduction** in natural gas consumption. C-PACE contributed to stabilized occupancy at 90%, restoring tax revenue and breathing new life into a key commercial corridor.



HALL ARTS HOTEL - DALLAS COUNTY

The award-winning HALL Arts Hotel in the Dallas Arts District tapped \$27 million in C-PACE financing to recapitalize efficiency systems added during construction, including upgraded windows and walls, HVAC, electrical and lighting systems, and plumbing infrastructure. The recapitization is expected to result in a **12% reduction** in annual energy use and **75% reduction** in natural gas consumption.

Quantifying the Impact

C-PACE projects generate measurable and meaningful benefits:



Jobs Created: From construction to ongoing operations, C-PACE projects fuel employment opportunities.



Energy and Water Savings: Projects achieve significant water and energy savings across Texas while reducing strain on the state's power grid.



Property Value Increases: Upgraded buildings attract tenants and may command higher rents.



Utility Conservation: Higher-efficiency systems reduce strain on local utilities that support public health and sustainability goals.



Restored Tax Revenue: Vacant or underperforming buildings brought back to life expand the local tax base.

Conclusion: A Community-Friendly Tool for the 21st Century

C-PACE stands at the intersection of economic development and sustainability. By unlocking private capital for commercial building improvements, it allows communities to modernize infrastructure, meet environmental targets and boost economic activity — all without the use of public funds.

For economic development professionals, C-PACE is an innovative financing tool that incentivizes growth and encourages the modernization of aging infrastructure. For developers and property owners, it's a flexible, affordable financing option that supports sustainability goals. For communities, it's a pathway to revitalized neighborhoods, new jobs and stronger, more resilient cities.

C-PACE Term Sheet

General guidelines to better understand Commercial Property Assessed Clean Energy financing.

Borrower	Single-asset entity, either for profit or nonprofit
Public Benefit Requirement	Improvements must exceed local code by 5%-10% through utility conservation reduction measures
Recourse	Non-recourse upon completion; completion and carry guarantee through CO
Assessment Amount	Up to 35% LTV for new construction or appraised value for properties over 50% leased.
Interest Rate for term	3%-4% bps over the 10-year U.S. Treasury; fixed
Funding Amount	\$100K to \$200M
Term	Typically 20-30 years. Cannot exceed weighted average of expected useful life of eligible improvements
Amortization	Capitalized interest and interest-only periods up to 5 years combined; full-term amortization follows
Prepayment	Prepayable at any time via tailored fees that step down over time and are set by a capital provider
Assumption	Fully assumable. C-PACE obligations can never be accelerated and transfer with ownership change
Disbursement Terms	Assessment proceeds are funded into an escrow account at closing and are available for the borrower to draw as costs are incurred
Third-Party Reports	Energy modeling and review by state-licensed engineer often engaged post term-sheet approval
Senior Mortgage	C-PACE financing requires lender consent from any lienholder on the property
Timeline	Typically 60 days; C-PACE assessment closings will align with other capital stack sources

If you're an economic development professional interested in bringing a C-PACE program to your municipality, or a developer/property owner interested in C-PACE financing, contact Lone Star PACE today to find out how your project can become the next public benefit success story.



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