The Five Concerns, Answered

Written to be shared with counsel, a CFO, or a family business partner.

Five concerns come up over and over — not always in the same order, not always out loud, but always there. Each is legitimate. Each is answered here in language the owner can repeat.

Concern 1 — What if I sell the building?

When you sell, the C-PACE assessment goes with the building. The new buyer inherits the asset and the remaining assessment — the same way they inherit a sidewalk assessment or the existing property tax bill.

Here is what does not happen. You do not pay off the C-PACE balance at sale. It does not need to be retired. The buyer does not have to refinance it.

What does happen is that the assessment is disclosed in diligence like any other recorded encumbrance. The buyer underwrites it as part of their model, and in most transactions it is netted from the sale price as a known line item. Because C-PACE funded improvements that raised NOI and removed deferred capex, the building usually sells for more, not less.

Concern 2 — What about my existing mortgage?

Your existing mortgage stays in place. Same terms. Same balance. Same maturity. Same lender.

What changes is that your existing lender provides a written consent. Once it is signed, your mortgage relationship is exactly what it was. No rate change. No re-margining. No new collateral demand.

Will your senior consent? In the vast majority of cases, yes. C-PACE consents are now standard in commercial real estate — senior lenders consent because the assessment strengthens their collateral and is non-accelerating. If your senior has not seen one before, MGB walks them through it with their counsel.

Concern 3 — What if a tenant moves out and I lose income?

The assessment is paid through the property tax bill. It is an operating cost of the building, like property taxes, and in most commercial lease structures those costs are recovered from tenants through CAM or expense pass-through.

So in most commercial buildings the tenants are paying the assessment as part of operating expense recovery — not the owner out of net income. When a tenant leaves you lose their share of that recovery, but you also lose their share of utilities, insurance, and every other expense. The assessment is no more vulnerable than your insurance premium.

And critically, the installment is non-accelerating. If you have a bad year, the installment continues at its scheduled level. No balloon. No margin call. No surprise demand.

Concern 4 — What happens when I pass the building to my heirs?

The asset transfers with the assessment attached — the same way it transfers with the existing mortgage attached. Your heirs inherit the building, and the assessment, and a building in better physical condition than they would have inherited had the capex been deferred.

From an estate planning standpoint, C-PACE does not create new complications. The assessment is a recorded obligation against the property, and estate counsel treats it the way they treat any recorded encumbrance. Talk to them — MGB has seen no scenario in which C-PACE created a material estate planning problem.

Concern 5 — What if I want to refinance later — will C-PACE make it harder?

In most cases, easier. By the time you refinance, the building is in better physical condition, operating costs are lower, NOI is stronger, and the capex backlog is gone. The new lender underwrites the assessment as a recorded encumbrance — like property taxes — and sizes their loan accordingly.

Owners who have used C-PACE typically refinance into better senior debt terms than owners who carried deferred capex into the conversation.

My own concerns — to raise with counsel and with MGB

IF YOU HAVE OTHER CONCERNS

You might — and they are worth writing down rather than carrying. Bring them to your attorney. Bring them to us. MGB is not in the business of avoiding hard questions.

Questions on your own transaction: (866) 554-4083 | communications@missourigreenbanc.org

Missouri Green Banc | 16305 Swingley Ridge Road, Suite 220 | Chesterfield, MO 63017 | missourigreenbanc.org/owners

Markets set in motion. It all starts with collaboration.