

# Consent: Mortgage Lender Question & Answer

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## What is MinnPACE?

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MinnPACE (also known as MINNPACE stands for Commercial Property Assessed Clean Energy) is a powerful financing tool that helps property owners invest in energy efficiency, water conservation, and resilience projects — often with little to no upfront cost.

Unlike traditional loans, MinnPACE financing is repaid through a voluntary property tax assessment. With up to 100% financing available, covering both hard and soft costs, MinnPACE makes it simple to launch projects that lower energy bills, increase property value, and advance sustainability goals.

MinnPACE works directly with counties to place the assessment and service the financing, ensuring a smooth and secure process for property owners.

## Where does the capital come from?

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Individual projects are financed by private capital providers, including banks. The financing is secured with a lien on the property. The property owner repays the financing in installments as a line item on the property tax bill and collected through the normal tax collection process. The assessment may also be prepaid.

## Why Is Lender Consent Required?

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State law requires existing mortgage holders to provide written consent before a MinnPACE transaction closes. This ensures lender awareness and project viability.

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MinnPACE is repaid as a property tax assessment, it shares the same collection mechanism as other municipal taxes. In the event of delinquency, only the unpaid portion of the MINNPACE assessment (not the entire financing balance) takes precedence over the mortgage.

## Why Lenders Agree to MinnPACE Financing

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The structure of MINNPACE is designed to align with senior lenders' interests:

- Foreclosure Rights Protected: Senior lenders maintain full foreclosure rights. No intercreditor agreement is required.
- Non-Accelerating Obligation: Only delinquent installments are senior to the mortgage. The full C-PACE balance cannot be accelerated.
- Escrow & Reserves: Lenders may require escrow of C-PACE payments. C-PACE providers may capitalize interest or create reserves to cover payments during construction or stabilization.
- Improved Collateral Value: Energy and water savings increase net operating income (NOI). Higher NOI leads to increased property value and stronger collateral.
- Improved Debt Service Coverage: C-PACE rates are typically lower than mezzanine debt or equity. Longer terms reduce annual debt service, improving coverage ratios.
- Non-Recourse Financing: Underwritten to property value, not borrower credit. No personal guarantees are typically required (completion guarantee may apply for new construction).
- Customer Relationship Advantage: Enables borrowers to modernize properties, reduce costs, and strengthen long-term financial performance.

MinnPACE projects preserves senior rights, mitigates risk, and strengthen client relationships while enhancing the underlying collateral.

*\*For more information or to discuss MinnPACE projects and lender consent, please contact the MinnPACE Program Administrators.*