

Insights

Setting the PACE: How Florida Developers Are Using This Powerful Finance Tool to Build Resilient, Profitable Projects

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If you're a developer in Florida, you're navigating a perfect storm. Soaring insurance premiums, volatile interest rates, and stubborn construction costs are squeezing pro formas and putting promising projects on hold. In this climate, the traditional capital stack of senior debt and equity often isn't enough. Finding that crucial tranche of capital—the slice that bridges the gap without demanding costly preferred equity returns or restrictive mezzanine debt covenants—has become the defining challenge of our time.

But what if there was a financing tool tailor-made for this moment? One that's long-term, fixed-rate, non-recourse, and specifically designed to fund the very resiliency and energy-efficiency measures that can lower your operating costs and insurance premiums?

Enter Commercial Property Assessed Clean Energy, or C-PACE.

Once considered a niche product, C-PACE has rapidly evolved into a mainstream financing solution, anchoring capital stacks for everything from new condo towers in Miami to industrial retrofits in Orlando. For savvy Florida developers, it's no longer a question of *if* they should consider C-PACE, but *how* they can leverage its unique structure to gain a competitive edge.

What Exactly is C-PACE? (And What It's Not)

At first glance, C-PACE can be confusing because it doesn't behave like a traditional loan. It's more accurate to think of it as a voluntary infrastructure assessment that you, the property owner, choose to place on your own property.

Here's how it works in plain English: Enabled by state law, C-PACE programs allow developers to finance 100% of the costs for "qualifying improvements"—things like high-efficiency HVAC, impact windows, solar panels, and robust roofing systems. The capital comes from private lenders, not taxpayers. The genius is in the repayment: instead of a monthly mortgage payment to a bank, the financing is paid back over 20 to 30 years via a special assessment added to your annual property tax bill.

This structure creates a fundamentally different risk profile than conventional debt:

- **It's Non-Recourse:** Once the project is complete, the financing is secured by the property itself. There are no personal guarantees, protecting your other assets.
- **It's Long-Term and Fixed-Rate:** Terms of up to 30 years match the useful life of the improvements, and a fixed interest rate eliminates uncertainty in a volatile market.
- **It's Non-Accelerating:** This is the game-changer. If you miss a payment on a traditional mortgage, the lender can call the entire loan balance due. With C-PACE, only the single missed annual payment is considered delinquent. The rest of the financing remains in place and does not accelerate. This single feature is what makes senior lenders comfortable with C-PACE's priority lien status.

The Florida Advantage: A New Focus on Resiliency

Florida's C-PACE program has always been a powerful tool, but recent legislative updates have supercharged its relevance. The 2024 passage of Senate Bill 770 significantly expanded the definition of "qualifying improvements" to directly address the state's biggest pain points: insurance costs and climate risk.

Developers can now use C-PACE to fund a much broader range of resiliency measures, including:

- Flood and water damage mitigation.
- Wastewater and septic-to-sewer conversions.
- Advanced storm hardening and wind resistance measures.

This expansion is a direct legislative acknowledgment that building stronger, more efficient properties is a public benefit. For developers, it means C-PACE can now cover a larger portion of the construction budget, funding critical upgrades that not only satisfy new building codes but can also lead to significant reductions in insurance premiums. It's a clear signal from Tallahassee that C-PACE is a preferred tool for building a more resilient Florida.

When C-PACE Makes Sense: Four Key Scenarios for Developers

C-PACE is not just another loan product; it's a strategic tool that can be deployed at nearly any stage of a property's life cycle. Here are four scenarios where it can create tremendous value.

1. **New Construction: The Mezzanine and Pref Equity Killer**

In today's market, the gap between a senior construction loan and a developer's equity is often filled with expensive mezzanine debt or preferred equity, with rates well into the double digits. C-PACE offers a smarter way. It can replace this costly capital with patient, lower-cost financing, typically funding 15-25% of a project's total cost. By swapping 14% mezz debt for 7-8% C-PACE financing, you can dramatically lower your project's weighted average cost of capital (WACC), boosting your internal rate of return (IRR) and preserving equity.

2. The Condo Conundrum: A C-PACE Solution for Multifamily

A common misconception is that C-PACE is off-limits for residential condominium projects. In Florida, that's not the case. The state statute cleverly defines any multifamily property with five or more units as "commercial property" for the purposes of C-PACE.

This allows condo developers to use C-PACE as a construction financing tool. The developer, as the sole owner of the entire project during construction, secures the C-PACE financing. As individual condo units are sold to homebuyers, a portion of the C-PACE financing is paid off, and the lien is released from that unit's title. The assessment is never passed on to the individual residential buyer. This structure provides access to cheaper construction capital without affecting the marketability of the final product.

3. Value-Add and Retrofits: Funding Upgrades Without Draining Equity

For value-add projects, C-PACE can finance up to 100% of the hard and soft costs associated with eligible energy and resiliency upgrades. This allows you to dedicate your senior loan and equity to the acquisition and other non-eligible renovation costs, like interior finishes. It's a way to maximize leverage and fund a more ambitious—and ultimately more profitable—renovation scope.

4. The Retroactive Recap: Unlocking Trapped Capital in Your Portfolio

Another powerful and underutilized feature of Florida's C-PACE program is retroactive financing. Most programs in the state have a "look-back" provision that allows you to secure C-PACE financing for qualifying improvements that were completed within the last two to three years.

Think about that. If you completed a new multifamily building 18 months ago, you can now go back and get C-PACE financing for the cost of the HVAC system, impact windows, lighting, and building envelope. This injects a significant amount of low-cost capital back into your hands, which you can use to return equity to investors, pay down more expensive debt, or provide the equity for your next acquisition. It's a way to turn past capital expenditures into present liquidity.

The Developer's View: Weighing the Pros and Cons

Like any financing tool, C-PACE has its own set of practical considerations.

The Pros:

- **Cheaper Capital:** It's almost always more affordable than mezzanine debt or preferred equity.
- **Better Terms:** Long-term, fixed-rate, and non-recourse financing is hard to beat.
- **Increased Asset Value:** The funded improvements can lead to lower operating costs, higher net operating income, and a more valuable, resilient building.

The Cons:

- **Senior Lender Consent:** Because the C-PACE assessment takes priority over a mortgage, you must get your senior lender's consent. This is often the biggest hurdle and requires educating the bank on the non-accelerating nature of C-PACE.

- **Exit Complexity:** While the assessment is designed to run with the land, a future buyer or their lender may require you to pay off the C-PACE balance at the time of sale or refinance. This can trigger prepayment penalties, so it's crucial to negotiate flexible prepayment terms upfront.
- **Process and Timing:** C-PACE involves coordination with a program administrator and the local government, which can add time and complexity compared to a traditional loan closing.

Building the Future with a Smarter Capital Stack

In a market defined by uncertainty, C-PACE offers a rare combination of stability, flexibility, and affordability. It provides a clear pathway to funding the critical resiliency and efficiency upgrades that are no longer optional in Florida, transforming them from a cost center into a value driver.

As more developers, senior lenders, and even condo builders embrace its unique structure, C-PACE is cementing its role as an essential component of the modern real estate capital stack. For Florida developers looking to not just survive the current storm but to build stronger, more profitable projects for the future, it's time to get up to PACE.