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# Property Assessed Clean Energy (PACE) Financing Projects

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## What is PACE financing?

Property Assessed Clean Energy (PACE) financing, also called EPAD (Energy Property Assessment Districts) in Kentucky, provides a mechanism for the payment of costs of energy-efficient improvements, heating and cooling systems, lighting improvements, solar panels, water pumps, insulation, and additional energy improvements (collectively, the “energy improvements”) for properties. Under traditional PACE financing, property owners pay for the energy improvements to their properties through a special assessment that is payable in the same manner as property taxes.

## Who provides PACE financing?

Specialty lenders, as well as some commercial banks, provide financing for PACE projects, acting as a “capital provider.” Some capital providers are willing to make the financing totally non-recourse, except for the assigned PACE assessments, allowing for the potential to treat the financing as off-balance sheet. PACE projects may be issued as traditional loans, or may be structured as taxable municipal bonds, which may be issued by a local conduit bond issuer.

## Who can benefit from PACE financing?

PACE financing can be utilized by for-profit, nonprofit, and most governmental entities, even if they are otherwise exempt from real property taxes and other charges.

## What is the PACE financing process?

The PACE process begins with a petition to the municipality where the property is located for the financing of a PACE project along with an application for PACE financing to a capital provider. The petition contains an initial plan that outlines the energy

improvements to be constructed or acquired. After consideration of the development plan and all statutory requirements are met, the participating municipality will authorize and levy special assessments within the municipality. In Ohio, there is an extra step involving the creation of a local special purpose organization, an energy special improvement district (ESID). Alternatively, the property owner may petition to join an existing ESID. Special assessments levied by the participating municipality will then be assigned to the financing provider or bond trustee as repayment on the PACE financing.

## What are the benefits of PACE financing?

PACE can allow for long-term financing of energy improvements in renovations and new building projects, with zero up-front cash required from the property owner, and usually at a longer term. Because the special assessments are attached to the property, the cost of PACE projects will remain with the owner of the property following a sale. Some property owners use PACE financing to replace equity or mezzanine debt.

## Examples of PACE Projects

*Champion Mill Sports Complex* (Hamilton, Ohio) – Located at the site of the former Champion Paper mill, the Champion Mill Sports Complex will be the largest indoor sports complex, hotel, and convention center in North America. Financing for the project included \$32 million in PACE taxable bond financing for energy efficient HVAC systems, insulation and roofing, and lighting, windows, and skylights.

*Bishop's Quarter* (Loveland, Ohio) – PACE financing was used for the reconstruction of the Bishop's Quarter community bar after it was destroyed by a fire in downtown Loveland, Ohio. Energy improvements included an elevator, HVAC systems, and an energy-efficient building envelope.

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