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Greenworks closes first ever commercial PACE deal

Commercial Property Assessed Clean Energy (PACE) lender Greenworks Lending closed an inaugural transaction backed by mid-sized commercial PACE assets on September 25, with plans to become a frequent issuer in the ABS market.

By Sasha Padbidri 26 Sep 2017

The \$75m single-tranche deal, rated double-A by Morningstar Credit Ratings, was arranged by Guggenheim, with TIAA Investments as the sole buyer. Greenworks could not disclose pricing information at press time.

The assets in the portfolio include office space, industrial and hospitality, with seven states represented.

"Our niche is the middle market, typically privately owned businesses versus the largest of commercial spaces, with deal sizes ranging between \$50,000 to \$3.5m," Alexandra Cooley, co-founder and chief investment officer of Greenworks, told *GlobalCapital* on Tuesday.

Prior to the securitization, the company expanded its lending capacity by securing a credit facility with ING Capital. Cooley noted that the "two infusions of capital position the firm to continue to grow in terms of geographic markets served, and generation of assets for securitization".

According to data provided by industry body PACENation, total commercial PACE volume stands at \$482m as of September, with approximately 1,097 projects nationwide. Over the last year, in line with the growth of the residential PACE ABS market, some commercial PACE issuers have been trying to go down the same path.

"It's always been our goal to issue a securitization with commercial PACE-only assets. We've been building our origination and underwriting platform for the last two years, so we're excited to see it culminate in this transaction," said Jessica Bailey, CEO and co-founder of Greenworks.

Bailey added that planning the deal and developing the underwriting criteria also presented some obstacles, given the nascency of the asset class.

"Being the first in the asset class has a lot of benefits, but it comes with some challenges, like operating in white space and having to design from scratch something that hasn't existed to-date," Bailey said.

"We've designed a model that's good for the industry that's ultimately scalable, and that's been our intention from the get-go," she added. "If the volumes that we've been originating and closing to date continue, we aim for another transaction in 2018."

Phoebe Xu, senior vice president at Morningstar, noted on a panel at last week's ABS East conference that with commercial PACE continuing to grow in origination volume, the commercial PACE ABS pipeline could see as many as four deals pass through in 2018.

“These could either be publicly or privately rated,” she said.

Market players speaking to *GlobalCapital* on the sidelines of the conference, however, were more conservative in their estimates, with one PACE player forecasting two commercial PACE deals for next year.

In May, *GlobalCapital* reported that CleanFund Commercial Capital, another commercial PACE issuer, was slated to debut with a \$75m deal. That deal, on which Credit Suisse had been tapped to lead, has [since been postponed](#) to later this year, with a new estimated deal size of \$100m.

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