



## Frequently Asked Questions

### What is C-PACE?

Commercial Property Assessed Clean Energy and Resiliency financing (C-PACE or C-PACER in Virginia) is a financing tool that empowers commercial property owners to finance energy efficiency, water conservation, renewable energy, and resiliency projects with no upfront costs. Property owners receive long-term, 100% financing from qualified capital providers, and repay that loan in a similar way to property taxes.

C-PACE improvements are considered a public benefit, because just as water or sewer infrastructure improvements contribute to the community as a whole, so do buildings that conserve resources, generate free electricity, and provide for positive environmental and resilient impacts.

### What is a C-PACE program and how does it work?

Ideally, a C-PACE program is a uniform, turn-key program administration platform that can be adopted at no cost to the locality that opt in by passing an enabling ordinance. Localities are responsible for recording the assessment and enforcing the lien in case of foreclosure. The program administrator markets the program to property owners, service providers and contractors, underwrites and approves borrower applications, assists in loan processing as requested by the locality and provides community outreach on the benefits of C-PACE.

### What are the benefits of C-PACE?

#### Property Owners:

- 100% financing of hard + soft project costs
- Long term fixed-rate financing (up to 30 years)
- Off-balance sheet financing potential
- Cash-flow positive over term, often in year 1
- Gap financing, freeing up equity in new construction projects
- Potential pass-through to tenants
- No personal guarantees
- Funds critical capital improvements on existing buildings
- Affordable financing for specialty real estate assets and borrowers with limited financial wherewithal

#### Capital Providers:

- New lending product not otherwise available to most lending institutions
- Greater debt service coverage from reduced overall operating costs
- Increases property value, mitigating asset risk
- Increased net cash flow resulting in greater ability to pay debt obligations and expenses.

#### Contractors:

- Funds more comprehensive energy projects.
- Overcomes financial barrier of smaller customers, resulting in more closed deals

- Creates a whole new line of businesses
- Offers alternative to using own line of credit (“OPM”)

**Local Governments:**

- Unlocks savings opportunities for local businesses
- Revitalizes buildings and improve property values
- Attracts new development and construction projects
- Creates more jobs and stimulate your local economy
- Conserves resources and reduce pollution

**Who can use C-PACE?**

C-PACE is currently available to commercial properties located within a C-PACE enabled district. Eligible properties are generally defined as:

- Office, retail, and hospitality
- Warehouse and industrial
- Agricultural and vacant land
- Medical office, private hospitals, acute care facilities
- Multifamily with 5+ units (in most areas), senior living and assisted living
- Specialty real estate such as golf courses, sports facilities, theatres, private schools

Eligible commercial properties may be owned by non-governmental, tax-exempt organizations such as community centers, hospitals, theaters, schools, religious facilities, etc.

C-PACE can be used for upgrading existing buildings including major renovations and adaptive reuse of underutilized buildings as well as new construction.

**What types of projects can C-PACE finance?**

Any type of clean energy project: energy efficiency, resiliency/stormwater management, water conservation, and renewable energy. Projects vary but are designed to reduce consumption of non-renewable resources such as oil, coal, and natural gas or water resources. C-PACE financing offers 100% financing of hard and soft costs. More information at: <https://virginiapace.com/eligibility/>

**For Local Governments**

**How does our jurisdiction opt in to the C-PACE program?**

The jurisdiction’s legislative body must pass an enabling ordinance that allows the jurisdiction to implement C-PACE in one of four ways: 1) hire a third-party administrator either by “riding” the contract of an existing program like Fairfax or Loudoun Counties 2) hire a third-party administrator through a competitive procurement process 3) self-administer or 4) wait to opt-into the state sponsored program which will be available sometime in 2021 and will utilize a third-party to administer the program. The fastest way to open a program is ride an existing contract.

### **What much does opt-ing into a program cost?**

There are no dues or fees to opt in to a C-PACE program, however there may be some initial costs associated with staff time, which are typically fairly minimal. This assumes choosing the first option discussed above right now and the first and fourth options sometime in 2021.

### **Does our jurisdiction have to provide financing for property owners?**

No. Property owners receive C-PACE financing through registered capital providers.

### **Is our jurisdiction expected to provide and fund program marketing?**

No, but most jurisdictions may choose to allocate minimal staff time and fiscal resources towards spreading awareness of the program right after it launches.

### **By opting in, does our jurisdiction have to create its own program?**

No. VPA administers a uniform, standardized program. As an administrator, VPA will:

- Market the program to property owners
- Verify, approve, and register capital providers and qualified contractors
- Assist property owners with their C-PACE application and give final approval for projects to commerce and follow the project under completion
- Remit payments to capital providers if requested by the local government

### **How will we bill and collect repayment from property owners?**

A C-PACE assessment is a special benefit assessment and is billed as such. Annual or semi-annual C-PACE repayment installments will be collected by the jurisdiction using their present tax collection process or request that the capital provider or program administrator perform some of these functions. Like any other tax, C-PACE assessment payments are a first and prior lien against the property.

### **How is delinquency or default treated?**

The C-PACE assessment will be enforced in the same manner that a property tax lien against real property is enforced by the jurisdiction to the extent the enforcement is consistent with the laws of Virginia. Delinquent C-PACE installments will incur interest and penalties in the same manner as delinquent property taxes.

## **For Property Owners**

### **Does VPA design and finance projects?**

No. Property owners work with a qualified energy professional or contractor to design a project, develop a scope of work, and submit the required documentation, using in the form of an energy analysis. When approved, property owners find a registered capital provider to finance the project.

### **Who finances C-PACE projects?**

VPA operates an open-market program. Property owners may choose to work with any registered capital provider. If a property owner's preferred capital provider is not registered, they may apply to do so.

### **What are the typical terms of a C-PACE assessment?**



Typically, C-PACE has terms of up to 30 years that are fully amortizing. Rates are typically fixed unless a lender offers adjustable rate financing as an alternative.

### **How do I get approved for C-PACE financing?**

The application and approval process is:

- Determine eligibility and complete the pre-application. VPA will review the pre- application and respond to the interested applicant.
- Develop project and work with a qualified contractor or service provider to finalize the scope of work.
- Submit a final application with supporting documentation, including the mortgage lender consent and subordination agreement. The full application and list of required documents will be provided by VPA.

### **What is mortgage lender consent or subordination and how do I get it?**

C-PACE requires existing mortgage holders to sign an agreement stating they consent to having a first priority PACE assessment lien placed on the property. VPA will supply a template mortgage lender consent and subordination agreement. Even though many mortgage holders understand that C-PACE projects improve cash flow and increase property value, it is a good idea to talk with your capital provider about how to best approach your mortgage holder.

### **How do I repay my C-PACE loan?**

Your C-PACE loan will be billed by either your jurisdiction or by the capital provider. You will repay the C-PACE installment typically twice a year to the billing entity – in similar time frame to your property taxes.

### **Is C-PACE considered a new mortgage or deed of trust?**

No. VPA or the Capital Provider will record the C-PACE assessment with the register of deeds, but this recordation is not a deed of trust. C-PACE assessments are similar to other special assessments used to finance public infrastructure projects and are typically repaid through your property tax bill. Like with real estate taxes, only the current and past due C-PACE payment(s) are due in the case of delinquency.

### **Can I combine C-PACE with utility rebates or tax incentives?**

Yes, generally. Most C-PACE projects can qualify to receive additional rebates and incentives from a participating utility. It is highly encouraged to reach out to talk with your contractor or local utility representative about maximizing available rebates and incentives.