Frequently Asked Questions

1. What is C-PACE?

C-PACE stands for Commercial Property Assessed Clean Energy. It is 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 through their property tax bill.

C-PACE improvements are considered a public benefit, because just as water or sewer infrastructure improvements benefit the community as a whole, so do buildings that conserve resources, generate free electricity, and alleviate their environmental impact.

2. 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 collecting repayment through their regular property tax collection process. The program administrator markets the program to property owners and contractors processes applications, and confirms that the project has complied with the program requirements.

3. What are the benefits of C-PACE?

Building Owners:

- 100% upfront financing requiring no out-of-pocket costs or equity component
- Longer repayment terms (up to 20 to 25 years, depending on useful life of improvement) produce lower payments
- Non-accelerating terms, so loan does not need to be paid in full if building is sold
- Fixed interest rates
- Potential off-balance sheet treatment (financing is not a personal obligation of the individual property owner)
- Incremental cash flows and higher building value from energy and water efficient technologies

- Improvements can attract new tenants, increase building value and lifespan, and improve occupant comfort and indoor air quality
- "Non-recourse" financing (lien secured by the real property not the borrower)

C-PACE Capital Providers:

- C-PACE is alternative financial product that complements traditional commercial finance
- C-PACE loans have a super-senior lien on the property with lender consent

Mortgage Lenders:

- C-PACE increases the value of the underlying property that is financed by the mortgage, thereby increasing the value of the mortgage holder's investment
- C-PACE liens do not accelerate, meaning that only the unpaid portion of a C-PACE loan will be senior to a mortgage
- Mortgage lenders are accustomed to having taxes sit superior to mortgages, and C-PACE fills a similar role
- The first mortgage holders on the property must provide written consent to the C-PACE financing, in effect a right of first refusal to provide traditional financing

Contractors and Service Providers:

- Energy Services Companies (ESCOs) and other contractors can utilize C-PACE financing in communities to unlock additional business opportunities, creating jobs and additional value through the supply chain
- ESCOs, service providers and contractors can utilize C-PACE instead of tapping into their internal lines of credit. Some of the most important supporters of C-PACE in the Commonwealth have been through large ESCOs such as Trane, Johnson Controls (JCI)

Local Governments:

- C-PACE furthers economic development by creating jobs and revenue and may stabilize ownership and tenancy leading to enhanced and/or more predictable tax revenues
- C-PACE provides economic development agencies a beneficial financial tool incentive they can offer developers and potential businesses that can be used in lieu of subsidies that cost the jurisdiction money (e.g. tax abatement)
- C-PACE furnishes financing access to the county population to improve their commercial property that might not have had been available under more traditional financing sources at little or no cost to the jurisdiction
- C-PACE promotes community revitalization by upgrading buildings that may have deferred maintenance needs, or by repurposing buildings to other uses

4. 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, & hospitality
- Warehouse & industrial
- Agricultural & vacant land
- Medical office, private hospitals, acute care facilities
- Multifamily with 5+ units (in most areas) such as apartments, senior living and assisted living (non acute care)
- Non profit type facilities such as religious institutions, community centers
- Specialty real estate such as golf courses, sports facilities, theatres, private schools

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

5. What types of projects can C-PACE finance?

Any type of clean energy project: energy efficiency, alternative energy systems, or water conservation. 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 sot costs. Examples include:

- Automated building controls
- New boilers, chillers, and furnaces
- HVAC controls and upgrades
- High-efficiency lighting
- Solar PV systems
- Cogeneration
- Water/hot water efficiency

For Local Governments

1. 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 enter into an agreement with a program administrator, such as Virginia PACE Authority (VPA), which obligates the jurisdiction to assign, assess, collect, and remit C-PACE assessments to the program administrator or capital provider.

What much does opting into a program cost?

There are no dues or fees to opt in to the C-PACE program, however there may be some initial costs incurred as the jurisdiction incorporates the C-PACE assignation, assessment, and remittance process into their regular tax collection protocol.

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

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

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

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

4. **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 commence
   - Remit payments to capital providers if requested by the local government

5. **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 C-PACE repayment installments will be collected by the jurisdiction using their present tax collection process or request that the capital provider perform some of these functions. Like any other tax, C-PACE assessments are a first and prior lien against the property.

6. **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 Annual C-PACE installments will incur interest and penalties in the same manner as delinquent property taxes.

For Property Owners

1. **Does VA-PACE design and finance projects?**

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

2. **Who finances C-PACE projects?**

   VPA C-PACE operates an open-market program. Property owners may choose to work with any registered capital provider. If your preferred capital provider is not registered, they may apply to do so.

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

   Typically, C-PACE has terms of 15 to 20+ years that are fully amortizing. Rates are typically fixed unless a lender offers adjustable rate financing as an alternative.

4. **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 interested applicant.
   - Develop the energy conservation project and work with a qualified contractor or service provider to finalize the scope of work.
   - Submit a final application with supporting documentation, including mortgage lender subordination agreement. The full application and list of required documents will be provided by VPA.

5. **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. VA-PACE will supply a template mortgage lender 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. VA-PACE assists property owners and contractors by training them on the PACExpeditor tool that provides key metrics to show mortgage lenders.

6. **How do I repay my C-PACE loan?**

   Your C-PACE loan will show up as a new line item on your property tax bill. You will repay the C-PACE installment in the same way you pay your property tax bill and will receive the bill from either the treasurer or directly from the capital provider.

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

   No. VPA 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 tax 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 CPACE payment are due in the case of delinquency.

8. **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.