

## Frequently Asked Questions

### What is C-PACE?

Commercial Property Assessed Clean Energy financing (C-PACE) is a powerful financing tool that empowers commercial property owners to finance energy efficiency, water conservation, renewable energy, resiliency, environmental remediation and EV charging infrastructure projects at no upfront costs. Property owners and developers receive long-term, 100% financing from qualified capital providers, and repay that loan over up to 35 years.

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 the VA C-PACE Program?

The Virginia Department of Energy (Virginia Energy) is sponsoring a statewide, voluntary opt-in C-PACE Program to facilitate the expansion of C-PACE across the Commonwealth. Virginia Energy selected the Virginia PACE Authority (VPA) to administer the VA C-PACE Program on its behalf. VPA selected Slipstream to provide back-office support in the intake and approval of project and vendor applications.

The VA C-PACE program has been designed to not only make it as easy as possible for all localities to enable C-PACE in their jurisdiction, but also for those local programs to be standardized, promoting private sector participation. Click [here](#) for the Program Guidelines which includes the suite of Program Documents in the Appendices.

### How does it work?

The VA C-PACE Program is a uniform, turn-key program administration platform that can be adopted at no cost to participating localities. Localities are responsible for enforcing the lien in case of foreclosure or assigning that right to capital providers. The loan payments are billed and collected by the capital providers or by VPA if the capital provider is unable to do so. VPA markets the program to property owners, capital providers, 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 of eligible projects
- Long term fixed-rate financing (up to 35 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
- Meets ESG goals of ownership or tenants

#### **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
- Helps meet locality sustainable goals/targets

#### **Who can use C-PACE?**

C-PACE is currently available to commercial properties located within a C-PACE enabled locality. Eligible properties are generally defined as but not limited to:

- 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, renewable energy, environmental remediation, and EV charging infrastructure. Projects vary but are designed to reduce consumption of non-renewable resources such as oil, coal, and natural gas or water resources. Projects that have been completed within 24 months from receipt of their Certificate of Occupancy are also eligible.

## For Local Governments

### How does our jurisdiction opt into the VA C-PACE program?

The jurisdiction's legislative body must pass an enabling Ordinance (with accompanying draft Program Agreement) and sign an agreement with Virginia Energy that authorizes the jurisdiction to opt-into the VA C-PACE Program. If you are interested in starting the process of opting into the VA C-PACE Program, you can start by reviewing the [VA C-PACE Locality Opt-in Process flowchart](#). The flowchart refers to three documents that localities must approve to opt into the program. They are the:

- [Local Ordinance](#),
- [Program Agreement](#) and
- [Virginia Energy-Locality Agreement](#).

### How much does it cost to join VA C-PACE?

There are no dues or fees to joining the VA C-PACE Program; however, there may be some initial staff time which is typically minimal given that the VA C-PACE Program has provided the legal documents as listed above.

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

No. Property owners receive C-PACE financing through private 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. VA C-PACE is a turnkey, 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 and follow the project under completion
- Remit payments to capital providers as required

### How is the C-PACE loan serviced?

Annual or semi-annual C-PACE repayment installments will be collected directly by the capital providers. If a capital provider elects not to service the loans, VPA will handle the billing, collection, and remittance to capital providers.

### How is delinquency or default treated?

The C-PACE assessment is typically enforced in the same manner that a property tax lien against real property. It is enforced by the jurisdiction to the extent the enforcement is consistent with the laws of Virginia and can also be assigned to a capital provider. 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 Professional or contractor to design a project, develop a scope of work, and submit the required documentation, known as a Project 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 qualified capital provider. If a property owner's preferred capital provider is not registered, they may apply to be approved by VPA and Slipstream.

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

C-PACE can have terms of up to 35 years and 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 consists of:

- 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 approval checklist is provided [here](#).

### **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 has developed a lender consent and subordination agreement found [here](#). 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 the capital provider or VPA. 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. 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. 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. 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.