

## **Executive Summary of C-PACE Program Guidelines**

*Note: Refer to Section 2.0 of the Program Guidelines for definitions of Capitalized terms*

The state of Pennsylvania adopted Commercial Property Assessed Clean Energy or C-PACE with the passage of ACT 30, signed into law by Governor Tom Wolf on June 12, 2018. The law provided for the financing of energy and water conservation improvements for commercial, agricultural, and industrial properties except for residential properties which are currently excluded.

These Program Guidelines are the product of extensive research and input at both the national and state levels over the past seven months. Best practices have been adapted from other successful programs such as Texas, Wisconsin, and Maryland, and tailored to meet Pennsylvania statutory requirements and state specific needs. SEF and KEEA led this process, providing stakeholders with the opportunity to offer comments on the draft Program Guidelines, prior to issuance.

### **Role of the Local Unit of Government**

Local Units of Government must establish a C-PACE program by passing resolution that includes program guidelines such as these PA C-PACE Program Guidelines.

C-PACE is a public-private partnership program that is facilitated by a Local Unit of Government. These guidelines anticipate that C-PACE will be financed by private C-PACE Capital Providers, but under Act 30 of 2018, a Local Unit of Government can elect to provide financing through a bond either provided or facilitated by a county, municipality, district, economic development authority, or any government-related entity. At the current time, the Pennsylvania C-PACE Program Guidelines do not include covenants relating to government-financed C-PACE Projects. In the event a jurisdiction elects to provide financing, separate program guidelines and covenants relating to the financial underwriting for qualified projects would need to be developed.

For the Local Unit of Government, the key administrative role includes:

- As Party and Signatory to the C-PACE Statement of Levy and Lien Agreement.
- Provision of a public notice and report of certain information about the Assessment and the C-PACE Project.
- Collection of the contractual assessment installments on the Property tax bill using its present tax collection process, through a county tax claim bureau, the treasurer's office, locally elected tax collector or contracted third party tax collector.
- In case of delinquency and default, enforcement of the C-PACE Special Assessment in the same manner that a property tax lien against real property.
- Transfer of C-PACE Statement of Levy and Lien Agreement to the new Property Owner upon sale or transfer of the Eligible Property during the term.

### **C-PACE Application and Approval Process**

An applicant for a C-PACE loan submits a Pre-Application that is reviewed by the Program Administrator for general eligibility as defined in the Program Guidelines.

### **Eligible Property Types**

Pennsylvania C-PACE is currently available to commercial properties (office, retail, warehouse, medical, nursing homes, hospitality, agricultural, industrial, and vacant land, among others) located within a C-PACE District. For further information on eligible property types, refer to **Section 4.1 Eligible Properties**.

### **Energy Conservation Measure**

Energy Conservation Measure (ECM) — Any type of Clean Energy Project, including Energy Efficiency Improvements, Alternative Energy Systems, Renewable Energy Improvements, and Water Conservation Improvements, implemented at an Eligible Property. The types of projects vary, but usually are designed to reduce the carbon intensity and/or utility and/or fuel costs: water, electricity, oil, coal and natural gas being the main five for industrial and commercial enterprises. The aim of an ECM should be to achieve savings by reducing the amount of energy or water used by a particular process, technology or facility or eliminating the use of a fossil fuel.

### **Eligible Projects**

The minimum C-PACE Financing amount in the Pennsylvania C-PACE program is \$10,000; The C-PACE Financing term shall not exceed the expected useful life of the proposed Energy Conservation Measures as described in the Energy Survey and Water Survey.

ECMs must be permanently affixed to the Real Property, and the Property Owner must leave the improvements with, affixed or attached to the property during the term of the C-PACE Statement of Levy and Lien Agreement.

A Project ECM(s) must meet one of the following criteria:

- a. Measures listed in Pennsylvania's Public Service Commission's Technical Resource Manual; OR
- b. Measures listed in the NYSERDA's Technical Resource Manual; OR
- c. Measures identified as being eligible for utility incentive programs; OR
- d. Energy efficiency products certified by Energy Star that are permanently affixed to the land or building; OR
- e. Products on the list of Energy Efficient Equipment published by the Consortium for Energy Efficiency, Inc.; OR
- f. Energy efficiency products certified by the Federal Energy Management Program; OR
- g. Achieve a 20% energy reduction for a single ECM or group of ECMs; OR

h. Utilize best in class equipment.

Other measures not identified by one of the above-listed standards and approved by the Program Administrator.

### **New Construction**

New construction projects that utilize building standards and/or equipment outlined in one of the below standards will be eligible for C-PACE Financing. One hundred percent (100%) of the cost of the outlined ECMs will be eligible.

- Net Zero Building: DOE and National Institute of Building Sciences (NIBS);
- Green Building Initiative: Green Globes for New Construction;
- LEED: New commercial construction (LEED-NC), Commercial interiors projects (LEED-CI);
- LEED: Core and shell projects (LEED-CS) that exceeds current building code requirements;
- Living Building Challenge: <https://living-future.org/lbc/>;
- EPA Energy Star;
- PHIUS Passive House Commercial Requirements.

### **Application**

Once a project is deemed eligible, the Property Owner develops the full project description and submits this information as part of a Final Application. Along with a complete Final Application form, Property Owners are required to submit other documentation such as the ECM Survey, Mortgage/ Lien Consent and Capital Provider Statement.

### **Qualified Contractors**

To be eligible for C-PACE Financing, all work associated with the installation of an ECM that requires a license under any applicable law must be installed by a Qualified Contractor who holds the appropriate license. A Qualified Contractor must possess all technical qualifications and resources to properly install the ECMs. Qualified Contractors must not have any outstanding liabilities/ payments owed to the Local Unit of Government and must meet all relevant bonding requirements. The full list of specifications can be found in Section 5.0 Qualified Contractors.

### **C-PACE Statement of Levy and Lien Agreement**

The C-PACE Statement of Levy and Lien Agreement is agreed upon among the C-PACE Capital Provider, Property Owner and the Local Unit of Government and includes as an exhibit the C-PACE Financing Agreement between the Property Owner and C-PACE Capital Provider.

Upon execution of the C-PACE Statement of Levy and Lien Agreement and C-PACE Financing Agreement, the Program Administrator records these documents with the register of deeds in the county in which the Eligible Property is located, which creates a C-

PACE Special Assessment against the Property. Simultaneously, the Capital Provider transfers the C-PACE Financing funds to the Property Owner and/or its designated representatives in accordance with the C-PACE Statement of Levy and Lien Agreement and the C-PACE Financing Agreement.

Upon substantial completion of the C-PACE Project, the Property Owner and a Qualified Inspector or Building Code Official will execute a final Completion Certificate. The Completion Certificate will acknowledge that all contracted work has been properly completed.

**C-PACE Administration and End of Term**

The Program Administrator and the Local Government work together in the administration of the C-PACE loans. The Local Unit of Government will receive payments from the Property Owners and then transfer these payments to the Program Administrator. The Program Administrator will keep these payments in a segregated account and then remit them, including any penalties to the C-PACE Capital Provider pursuant to the terms of the C-PACE Statement of Levy and Lien Agreement.

The Program Administrator charges an Annual Servicing Fee to pay for preparation of the assessment installment bills, preparation of continuing disclosure reports, monitoring project funds, tracking delinquencies, and fees charged by the Local Unit of Government.

Once the C-PACE Financing has been repaid in full according to the terms of said Agreement, payment of the C-PACE Special Assessment will cease, and the Program Administrator will record a termination of the C-PACE Statement of Levy and Lien Agreement with the appropriate local government register of deeds.