



Commercial Property Assessed Clean Energy (C-PACE)

Recommendation

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What is Commercial PACE (C-PACE)?

- **Property Assessed Clean Energy or PACE** is a private sector financing tool* for energy efficiency, renewable energy and water conservation projects on commercial, industrial, multifamily and not-for-profit facilities repaid via a special assessment** that transfers with the land. Program Operation can be managed by a local government jurisdiction or contracted out to a program administrator

*Eligible Property landowners borrow funds from a private lender (*not the County*) for energy improvements

**Loan may be repaid as part of the property's real estate tax bill

- Senior to pre-existing mortgages
- On Parity to Payment of Real Estate Taxes

C-PACE Target Audience

Eligible Properties

- Commercial
- Industrial
- Nonprofit
- Multi-family residential over 4 units
- Excludes condominiums

Eligible Improvements

- Heating / Ventilation
- Lighting
- Low-Flow Water Fixtures
- Roof
- Solar Panels
- Insulation

Value of C-PACE Loan to Borrower

Value of C-PACE

- Property owner **not** required to provide upfront cash or down payment (on average 20%)
- Loan is secured against the **property** not the business operation
 - If sale of property occurs, PACE loan transfers with the land to the new property owner
- Longer amortization period (project useful life (10-20 years)) compared to traditional commercial loan (five years) which translates to lower annual payments
- Hard and soft costs can be financed

Requirements of C-PACE

- Local Government Must First Adopt a C-PACE Ordinance and Administer the Program
- Requires subordination from the existing mortgage holder or deed of trust lienholder
- Underwriting guidelines established by Department of Mines, Minerals and Energy and released in January 2018

C-PACE Case Study – Arlington County

- First jurisdiction in NoVA to implement **C-PACE**
- Available to commercial buildings & multi-family dwellings (excludes residential dwellings with less than 5 dwelling units or condo's)
- Ordinance adopted on November 18, 2017
- Utilizes a 3rd party program administrator

C-PACE Case Study – Arlington County

Responsibilities of Program Administrator

- Program Design
- Program Administration
- Marketing and Outreach
- Training and Certification
- Project Technical Review
- Program reporting and compliance
- Program administrator receives one time fee upon loan closing

Responsibilities of Program Lender

- Financing, documentation or written subordination agreements with holder of prior mortgages, and compliance with other requirements
- Authorized to record Certificate of Levy and Lien of Special Assessment on behalf of the County
- Assigns Lien on behalf of the County to the Lender, who is named as Lien holder in land records PACE
- All billing, collections, enforcement, and administrative duties for each loan (not the Arlington County Tax Department)

C-PACE Program Benefits to the County

Economic Success Strategic Plan
Environmental Vision



- Promotes sustainable energy efficient infrastructure
- Enhances the real property tax base of the County
- Supports employment and economic growth in the County
- Reduces harmful emissions associated with air quality and climate change

C-PACE - Fairfax County Impact / Approach

- County would need to draft a **C-PACE** ordinance
- **C-PACE** program administrator to handle day to day operations, marketing and outreach
 - County would pursue via competitive procurement process
- **C-PACE** loan billing responsibilities to be handled by program administrator
 - *Bills would not be on County real estate tax bill but rather on PACE-specific bill*
- County staff coordination with program administrator could be handled initially within existing resources
- **C-PACE** utilization will determine if future additional County operating fund resources are required
- County would handle enforcement of **C-PACE** loan

Staff Recommendation

- Direct County staff to draft a **C-PACE** ordinance for review and presentation at a future BOSEC