Commercial PACE Across the U.S.

A Survey of Eight Existing Commercial PACE Programs

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Utah Clean Energy

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I. Introduction

PACE, or Property Assessed Clean Energy, financing is a novel approach for financing energy efficiency and renewable energy retrofits on existing buildings. Based on a common model used throughout the United States to finance public benefits on private property (such as sidewalks and sewer systems), PACE allows private property owners to finance energy improvements on their property that also provide public benefits (such as reduced energy consumption and improved air quality). Property owners can then repay the loan through assessments on the property tax bill.

Benefits of PACE financing include:

1. Assessments are commonly used and well understood by local governments and the capital markets that provide project funding.
2. PACE provides funding for 100% of a project’s cost, removing the need for owners to use their own funds (the most cited barrier to project implementation).
3. Assessments (and property taxes) have the most senior claim against the subject property’s value, including mortgage liens, which at scale, can result in low financing costs.
4. A variety of simple mechanisms can be employed by local governments to create a PACE assessment.
5. Assessment repayments can extend for up to 20 years, matching the expected life of energy upgrades and making most projects immediately cash flow positive (i.e. the energy savings each year are greater than the assessment payment).
6. Assessments transfer to a new owner upon sale of a property and remain with a property until fully repaid (i.e. they are neither accelerated nor extinguished upon sale, or default).
7. Under many common leases, assessment costs can be shared with tenants, so both the owner and tenants can benefit fairly from project costs and savings.¹

Other benefits include:

1. Local job creation/economic development
2. Improved air quality
3. Reduced energy consumption
4. Reduced utility bills for property owners/tenants
5. Increased property value
6. Assessments may qualify as an operating expense which means that property owners can finance improvements without incurring additional debt and preserve capital and credit lines for core business investments.

All of these benefits make PACE financing an attractive option for municipalities, property owners, and lenders alike.

To date, 31 states have enacted PACE enabling legislation, and 25 states or municipalities have launched PACE programs. Utah enacted PACE legislation applicable to commercial buildings in 2013. In order to help Utah design a commercial PACE (or C-PACE) program that best meets the specific needs of the state, a C-PACE Advisory Committee has been formed. This survey of eight existing C-PACE programs is meant to inform the Advisory Committee as to how other states and municipalities have implemented C-PACE financing, and what lessons Utah decision-makers can draw upon to inform the development of a C-PACE financing program in Utah.

II. Matrix

The eight C-PACE programs summarized vary widely with regard to the capital sourcing approach, eligibility criteria, measurement and verification ("M&V") methods, and other criteria used. To make all of this information a little easier to digest, the similarities and differences of these eight programs have been compiled into a matrix, included below. The hope is that the Advisory Committee will use this survey and the matrix to inform their decisions in designing Utah’s C-PACE program.

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Eligible Property Types

- Commercial, industrial, multifamily with 5+ units
- Residential; (2) small multifamily (1 to 4 unit) buildings; and (3) single family with 5+ units
- Efficiency improvement as part of the project
- Additional fees to cover project review and on-site inspections.

Eligible Projects

- Almost nothing that lowers the energy consumption of the property, must be permanently affixed to the property
- Energy efficiency, water conservation, and renewable energy projects

Program Eligibility

- Property owner demonstrates that the project will significantly reduce energy use or costs
- Property owner demonstrates that the project will significantly reduce water use or costs
- Property owner demonstrates that the project will significantly reduce waste or costs
- Property owner demonstrates that the project will significantly reduce air pollution or costs
- Property owner demonstrates that the project will significantly reduce noise or costs
- Property owner demonstrates that the project will significantly reduce other environmental impacts

Energy Audit

- AHJ level 1 is required and/or water conservation audit
- Minimum energy savings
- A minimum 10% energy savings

Interaction with other incentives

- Coordination of other available incentives is encouraged
- Incentives include rebates, grants, tax credits, and other financial assistance.
- Rebates, incentives, or credits are only forfeited if the project is cancelled.
- Existing landlord incentive for no water or energy inefficiency.
Funding Procedures

- **$25,000 to draft initial bond documents**

  - Legal costs:
    - **Lien prepayment** – the County may charge a 3% prepayment:
    - **Removal of tax lien** – $26 disbursement

  - **Financing requests over $500,000** require title search and:

  - Financing requests **$5000 to $500,000** – $125

- **Transaction costs**:

  - 2 bids are required if the selected contractor does not operate a
    - **hold valid contractor’s license**

  - Information Sheet

  - Must be on the list of SCEIP Participating Contractors and:

  - 14) Issuance of Notice of Assessment to tax collector

  - 12) Project completed within 90 days of issuance of Notice to

  - 11) Notice to Proceed issued after rescission period passes

  - 10) Construction completed within 90 days from Notice of Assessment Agreement (includes Contractor Declaration

  - 9) Application is sent to another SCEIP staff member

  - 8) Construction completion verified and

  - 7) Application review for completeness and eligibility

  - 6) Financing approved

  - 5) Submit application, recent mortgage statements, organizational

  - 4) Contractor selected

  - 3) Participate in Qualified Energy Program and develop Scope of

  - 2) Review Pre-Application and issue Conditional Reservation Agreement (includes Contractor Declaration

  - 1) Submit initial application, organizational documents, title search

  - **Municipalities are responsible for any additional marketing and outreach**
III. Sonoma County C-PACE

Sonoma County’s C-PACE program launched in 2009 and has financed a total of $10.9 million for 61 commercial projects to date, including 46 solar systems totaling 2.2 MW. These 61 projects created an estimated 118 local jobs. The Sonoma County Energy Independence Program (“SCEIP”) administers the C-PACE financing program in Sonoma County. The SCEIP is a division of the County of Sonoma Energy and Sustainability Division, an administrative agency.

Sonoma County also prepared the Property Assessed Clean Energy (PACE) Replication Guidance Package for Local Governments (released March 30, 2012) (the “Manual”). Although somewhat outdated, this manual provides information that is useful for establishing a PACE program such as understanding the possible models for PACE programs; the process and tasks involved with setting up and operating a PACE program; the administrative, legal, and financial challenges involved; and the lessons Sonoma County learned when establishing its PACE program.

a. Capital sourcing approach

- SCEIP uses a warehoused financing approach that is largely self-financed. Under this approach, Sonoma County issues bonds once per month which are purchased by the County Treasury Pooled Investment Fund, the Sonoma County Water Agency, or for specific projects, a third party investor. The interest rate on the bonds is 3%.
- The County makes disbursements to property owners either from the proceeds of bonds issued on the day that the County made its disbursement or from a revolving fund (established through a grant from the California Energy Commission) that provides cash on hand to make interim disbursements.
- The standard interest rate on the assessments is 7%.
- The financing term is 10 years for assessments below $5000, or 10 or 20 years for assessments $5000 or greater. SCEIP notes that, generally, the term should be consistent with the life of the improvement.
- The minimum financing amount is $2500.
- On the first business day of each month, the County issues a bond in a principal amount equal to the aggregate amount of the disbursements that the County will make to property owners on that day and that was already made from the revolving fund during the prior month. The County issues bonds with 10-year terms to provide funding for improvements that property owners agree to repay over 10 years, and bonds with 20-year terms to provide funding for improvements that property owners agree to repay over 20 years. The bond proceeds are either used to make disbursements directly to property owners on the

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day of bond issuance or to repay the revolving fund for any disbursements made during the month prior to the bond issuance.

- Each year, the County uses assessment revenues, which exceed the amount needed to repay the loan, to fund a reserve account and a program expense account. The monies in the reserve account provide additional security for the repayment of the loan and the monies in the expense fund may be used to reimburse the County for its costs to administer SCEIP.
- Because SCEIP funds projects every month, it requires the services of special counsel to draw up bond documents each month and creates a complex chain of transactions, authorizations, and associated labor. SCEIP has found this model to be unsustainable and is working to create a PACE Financing Marketplace in Sonoma County that brings additional PACE providers into the market so consumers will have a choice of which provider they would like to use based on their criteria. It is expected that this change will streamline the process and provide consistency throughout all of the jurisdictions in the County, ultimately minimizing consumer and contractor confusion.
- Another capital sourcing approach SCEIP considered was the issuance of bonds to the open market. SCEIP issued a Request for Proposals (“RFP”) in December of 2013 to see if there was interest and received four responses. However, the rates potential investors stated were too high to allow SCEIP to sell off any bonds.

b. Credit enhancement

SCEIP has a goal of establishing a debt service reserve fund, but has not yet done so.

c. Eligible property types

- Commercial properties include all properties, including those zoned agricultural, except single-family properties with less than five residential units.
- The property must appear on the Sonoma County secured tax roll, which excludes many non-profits.

d. Eligible project measures

- Energy efficiency, water conservation, and renewable energy generation upgrades.
- Must be permanently affixed to an existing building.
- SCEIP provides a list of eligible improvements. Custom measures are also considered on a case-by-case basis.

e. Program eligibility criteria

- Mortgage holder consent.
- All property owners must sign the application.
- Property title is vested in the applicant(s), without federal or state income tax liens, judgment liens, or similar involuntary liens on the property.

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• If the property is subject to Covenants, Conditions and Restrictions (CC&Rs), property owner must furnish written permission authorizing the installation from the entity placing the restriction.

• Property owner is current on all property taxes for all properties owned in the County.

• Property owner must be current on the mortgage payments as demonstrated on the most recent mortgage statement.

• If property owner was involved in a loan modification for default, the loan modification must have been completed at least one year prior to application filing. In addition, the applicant must provide the most recent six months’ worth of mortgage statements on the new loan showing no late payments. If the property was subject to loan modification for any reason other than default, the one year waiting period is waived and the applicant must provide the most recent six months’ worth of mortgage statements on the new loan showing no late payments.

• Property owner is not in bankruptcy for any of the owner’s properties and the property is not an asset in a bankruptcy proceeding.

• Reverse mortgages are acceptable, provided applicant meets all other criteria.

• The lien-to-value ratio is 100% or less - the amount owed on the property is the sum of all existing liens, including tax abatements.

• Improvement costs are reasonable to property market value.6

• The sum of the annual property tax and assessments plus the additional annual SCEIP assessment must not exceed 5% of the property’s market value.

• Construction work may not begin until a Notice to Proceed is issued by SCEIP.

• All renewable energy generation projects require a 10% energy efficiency improvement as part of the project.

  f. Energy audit requirements

• Property owner must obtain an ASHRAE Level 1-equivalent energy audit (offered free of charge by PG&E), and/or a water conservation audit.

  g. Interaction between PACE financing and existing incentive programs

• Applicants may satisfy the energy audit requirement with a free PG&E energy audit.

• The value of expected rebates but not the value of expected tax credits will be deducted from SCEIP financing. “Expected rebates” do not include rebates (1) that are contingent on performance (achieving a certain level of energy efficiency) or (2) that are not available to the property owner at or shortly after completion of the project, so as to be available for use to pay for the project.

• Any environmental credits attributable to SCEIP-funded projects, including but not limited to carbon credits, carbon offsets, renewable energy credits or any other environmental attributes, are jointly held by the County, Sonoma County Water Agency, and Sonoma County Transportation Authority.

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6 Market value is determined by an appraisal or the lender consent form.
h. Funding procedures

1. Property owner obtains an energy and/or water conservation audit.
2. Property owner consults with a SCEIP participating contractor to determine the cost of the upgrades.
3. Property owner obtains consent from mortgage lender.\(^7\)
4. Property owner submits application,\(^8\) recent mortgage statements, organizational documents, a copy of an appraisal (if applicable), rebate forms, energy audit results, contractor bids, lender consent form, and authorization for utility data access form.
5. SCEIP reviews application for completeness and eligibility.
6. Recommendation for Approval form is complete by SCEIP staff.
7. Application is sent to another SCEIP staff member (if financing amount is less than $60,000), the Program Administrator (if financing amount is $60,000 to $500,000), or the Board of Supervisors (if financing amount is over $500,000), to verify the information on the Recommendation for Approval form.
8. Notice of Approval letter is sent to property owner.
9. Property owner submits assessment contract,\(^9\) signed and notarized by all property owners within 30 days of issuance of Notice of Approval, and recording fee.
10. SCEIP issues a Notice of Right to Cancel form\(^10\) (giving them a three day rescission period in which to cancel the contract without losing certain fees).
11. Sonoma County records a lien for the full amount of the assessment on the property.\(^11\)
12. SEICP issues Notice to Proceed after rescission period passes.
13. Contractor completes project within 90 days of issuance of the Notice to Proceed. A 30 day extension may be granted.
14. Property owner submits final documentation (finalized building permit; invoices showing all costs, less rebate amounts) and a request for disbursement\(^12\) to SCEIP (SCEIP requires a final work permit to be signed by a licensed building inspector prior to releasing a disbursement\(^13\)).

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\(^9\) The contracts required vary depending on the number of disbursements requested. Multiple disbursements are allowed for financing amounts greater than $40,000. Samples of these contracts are available at, [http://residential.sonomacountyenergy.org/lower.php?url=sceip_assessment_contract_forms](http://residential.sonomacountyenergy.org/lower.php?url=sceip_assessment_contract_forms).


\(^13\) In the alternative, an applicant may request one or more disbursements before completion of the improvement if 75% of materials have been delivered and secured onsite. Following an inspection to verify this 75% of the material (on a cost basis) has been delivered and secured, SCEIP will fund up to 50% of the total approved amount. Alternatively, if multiple improvements are being made, and one improvement is completed as documented by an associated final permit, 100% of the approved improvement cost will be paid. No onsite inspection is required when a final permit can be provided.
15. SCEIP issues a notice of assessment to the tax collector.\textsuperscript{14}

   i. Measurement and verification

   - SCEIP tracks energy use before upgrades using utility data. All applicants must submit a signed utility authorization form with their application, authorizing their utility(ies) to release the next three consecutive years of monthly billing information to SCEIP. In the case of a multi-family building that is sub-metered, an authorization form must be provided for as many tenants as possible.
   - SCEIP tracks energy use after upgrades using utility data.

   j. Contractor requirements

   The contractor must be on the list of SCEIP Participating Contractors.\textsuperscript{15} To be included on this list, a contractor must:

   - meet the standards of and submit the Contractor Standards and Information Sheet\textsuperscript{16}
   - hold a valid contractor’s license
   - hold a valid business license
   - hold liability insurance ($1,000,000)
   - hold Workers’ Compensation insurance

   Additionally, two bids are required if the selected contractor does not operate a business office within Sonoma County. One bid must be from a local contractor. If the selected contractor is local, only one bid is necessary.\textsuperscript{17}

   k. Supporting local government legislation/ordinances

   The California legislation enabling PACE financing includes amendments to the California Streets and Highways Code, Chapter 29, Articles 1 and 2 (or AB 811\textsuperscript{18}) and amendments to the Mello-Roos Community Facilities Act of 1982 (SB 555\textsuperscript{19}). The County of Sonoma Board of Supervisors adopted a Resolution of Intention to establish an AB 811 program on March 3, 2009 and a Resolution Providing for the Issuance and Sale of Assessment Revenue Bonds on April 21,

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\textsuperscript{15} Available at, http://residential.sonomacountyenergy.org/lower.php?url=find-a-contractor.
\textsuperscript{17} Sonoma County states that, because a majority of the upgrades were installed by local contractors, most of the $55 million in funding provided by the County as of March 2012 remained within the local community, generating over 70 job-years of local labor.
\textsuperscript{18} Available at, http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=200720080AB811&search_keywords=.
\textsuperscript{19} Available at, http://www.leginfo.ca.gov/pub/11-12/bill/sen/sb_0551-0600/sb_555_bill_20111006_chaptered.pdf.
Following a public hearing, on March 25, 2009, Sonoma County’s Board of Supervisors approved its AB 811 program and launched the SCEIP.

1. Transaction and legal costs

Transaction costs include:

- Annual administrative fee - $41.12
- Title search fees (initial project):
  - Financing requests less than $5000 - $50
  - Financing requests $5000 to $500,000 - $125
  - Financing requests over $500,000 require title search and insurance (property owner must contact SCEIP for estimate) – TBD
- Title search fee (second project within 180 days) - $30
- Multiple disbursement fee (to cover SCEIP inspection) - $150 per disbursement
- Recording fee, initial - $66
- Recording fee, contract amendments - $41
- Assessment payoff quote (if used for escrow purposes) - $35
- Removal of tax lien - $26
- Lien prepayment – the County may charge a 3% prepayment premium.

Information regarding legal costs under the current warehoused capital sourcing approach is included in a sample budget the SCEIP prepared as part of its Manual. This sample budget includes one-time costs such as $3000 to $5500 to draft city and county resolutions and $25,000 to draft initial bond documents. The sample budget also includes recurring costs such as $135,000 for bond counsel and debt issuance costs (which may vary depending on the complexity of the financing, the legal issues that arise, and the number of bond authorizations) and $95,000 for county counsel services.

2. Marketing and outreach

SCEIP’s initial marketing was overly dependent on the contractor community due to insufficient resources for marketing activities, resulting in some market sectors participating and others nearly unaware of the program.

In its Manual, SCEIP recommends:

Pre-launch: create anticipation through press releases, meet-and-greets, informational meetings, advertisements, property tax bill inserts

Program launch event: event hosted by elected officials and senior staff

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Ongoing: presentations at community and regional events or conferences, tabling at events, dissemination of informational postcards or brochures (multi-lingual), hosting or co-sponsoring events directed at target market, social media, a digital newsletter, and a well-constructed website

IV. **Connecticut C-PACE**

Connecticut’s C-PACE program launched in 2012 and has funded 29 commercial projects to date.²² The total dollar amount of the projects financed is $21 million and the total energy saved is 42,354 MMBtu per year.

This program is administered by the Clean Energy Finance and Investment Authority (“CEFIA”), a state administrative agency, in partnership with participating municipalities. The roles of these parties are as follows:

**Role of CEFIA:**
- Design program & financing requirements
- Determine the estimated benefit assessment and provide written notice of the estimated benefit assessment to the Municipality
- Compensate municipality for costs incurred

**Role of Municipalities:**
- Placing of Caveat on Land Records
- Levy of Benefit Assessment
- Continuation, Recording and Release of Lien
- Assignment of Benefit Assessment Lien
- Billing and Collection; Payment to CEFIA

**a. Capital sourcing approach**

- Regulated open market
    - CEFIA authorized $40M short term financing for construction. It sells down this transaction through a bidding process.
  - OR the property owner may select its own lender from the private market, and there is no government financing required.
- This program was originally self-funded and CEFIA is in the process of closing on the sell down of its first portfolio of C-PACE projects to the private capital markets and more information will become available to the public in the near future.

²² All information was obtained from the C-PACE Program Guidelines, Version 3 (September 9, 2013), available at http://s3.honestbuildings.com/client/c-pace/Program_Guidelines_v3_0_FINAL-1.pdf; and CEFIA employees.
- Although there is no financing minimum, due to transaction costs, this program is best suited for capital improvements above $150,000.

b. **Credit enhancement**

This program uses energy savings insurance (“ESI”) as “a strategic risk transfer tool that can aid in the underwriting, funding, and success of a proposed project.” CEFIA may determine that ESI is applicable if the following factors are present:

- Payback period is relatively long
- Project cost is significant
- Project involves installation of multiple energy conservation measures that may have interactive energy use implications
- Project developer (the energy savings company (“ESCO”)) lacks sufficient financial resources to provide or back an energy savings performance guarantee
- Lender is considering requiring ESI
- Lender considers ESI as a credit enhancement
- Credit enhancement provided by the ESI will offset all or most of the insurance premium cost

c. **Eligible property types**

The property must be a non-residential property - commercial, industrial, and multifamily properties with five or more units, regardless of ownership.

d. **Eligible project measures**

- The project must lower the energy consumption of the building or enable the building to produce clean energy.
- The project must be permanently affixed to the property.

e. **Program eligibility criteria**

- The mortgage holder on the property must provide express written consent to the C-PACE lien.
- The savings-to-investment ratio must be greater than one.
  - CEFIA works closely with a 3rd party administrator (Sustainable Real Estate Solutions) to conduct an extensive, technical due diligence process to ensure projects meet the savings-to-investment ratio before being approved for financing

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23 If an energy savings performance guarantee is being provided and the company does not have sufficient financial resources to support the guarantee, energy savings insurance (or its equivalent) may be used to satisfy this shortcoming.

24 Non-profit or government owned buildings with a property tax ID number may be eligible in certain cases where a participating municipality issues the property owner a property tax bill.

25 CEFIA provides a list of eligible measures but allows applicants to propose other projects for review on a case-by-case basis. CEFIA also provides a list of ineligible measures such as measures with a weighted average effective useful life that does not meet the life of the loan and natural gas lines to the property.
• The property must be located within the boundaries of a municipality that has adopted a resolution supporting the C-PACE.
• The applicant must be the legal owner of the property, and all the legal owners of such property must agree to participate.
• The property must be current on property tax and assessment payments.
• The property owner must not have any involuntary liens, defaults, or judgments applicable to the subject property.
• There must be no unresolved payment issues concerning debts to or guaranteed by CEFIA or any other third parties. For the purpose of these standards, “material” means the greater of either (a) 10% of the proposed C-PACE financing, or (b) $50,000.
• The term of the C-PACE assessment must not exceed the weighted average expected useful life of the measures as determined by CEFIA’s third party administrator.
• Absent special circumstances, maximum total property debt, including the C-PACE assessment, must not exceed 80% of the property’s value, as currently appraised or assessed. The value of the C-PACE-financed improvements can be included in the property value for these purposes.
• Absent special circumstances, including but not limited to a property unencumbered by a mortgage or other compelling economic or financial conditions, CEFIA exposure must not exceed 35% of the value of the property, after giving consideration to the value increment that may be afforded by the enhancements to the property being financed.
• Applicant’s financial performance should meet the following criteria:
  o Positive operating profit and net income in each of last 2 fiscal years
  o Positive cash from operations in each of last 2 fiscal years
  o EBITDA/debt service (including the proposed C-PACE assessment after considering savings that are expected to result from the financing) of at least 1.25x for last fiscal year
  o Current ratio of at least 1.00:1.25
  o Total Liabilities / Tangible Net Worth not in excess of 2.00:1.00
  o Interim statements disclose no material adverse change in financial condition
• In conducting its financial underwriting of potential C-PACE projects, CEFIA will consider the property’s financial strength in a holistic and comprehensive fashion. For properties where a given underwriting criterion is not met, CEFIA may still approve the property for C-PACE financing if the property shows sufficient strength with regard to all other required metrics.

  f. Energy audit requirements

• CEFIA, in consultation with the applicant, will determine the minimum level of energy audit required: ASHRAE Level I, II, or III.
• The auditor must use ASTM E2797-11, Building Energy Performance Assessment (“BEPA”) data collection, compilation, and analysis standards.
• The costs of the audit may be included in C-PACE financing.

  g. Interaction between PACE financing and existing utility incentive programs

• Connecticut utilities may provide what can be considered an ASHRAE Level I audit at no cost to applicants.
Coordination of utility incentives is encouraged to reduce cost of project and meet the required savings-to-investment ratio.

h. **Funding procedures**

**Application submittal procedures:**

1. Applicant submits initial application on C-PACE website.²⁶
2. A third-party administrator reviews the initial application and invites a full application from qualified applicants.
3. Applicant submits full application including an energy audit, identification of project measures, and selection of lender.²⁷
   
   a. This program uses a two-track application review process:
      
      i. **Fast Track** (the project is a targeted energy conservation measure, an energy audit was recently conducted, or the project is Connecticut Energy Efficiency Fund approved)
      
      ii. **Full Assessment** (all others)
         1. Application must be prepared by an energy engineer
         2. Must include an energy audit- CEFIA determines the minimum required audit
         3. Projects including a renewable energy system must include a Renewable Energy Feasibility Study

**Application processing procedures:**

1. Financial and technical review
   
   a. Third-party administrator conducts technical review, confirms savings to investment ratio, and selects measurement and verification (“M&V”) plan.
2. Submit lender consent form²⁸
3. CEFIA approval
4. Financing Agreement between borrower and CEFIA which utilizes the CEFIA established interest rates and includes a closing fee.²⁹
5. Release of funds
6. Assessment, repayment, and M&V

i. **Measurement and verification**

   - The project stakeholders create an M&V plan for each project based on the type and complexity of the installed measures. The plan must be based on the International

²⁶ A sample application is available at [*C-PACE Program Guidelines*, Version 3, Exhibit D.](#)
²⁷ All data regarding building occupancy, utility cost and consumption, and details regarding the ECMs to be used, and supporting documents, are entered into a web-based CEFIA data management platform (“CDMP”) which is used to support the technical and financial underwriting process required by CEFIA management, lenders, building owners/managers, insurers, etc.
²⁸ This form is available at [*C-PACE Program Guidelines*, Version 3, Exhibit C.](#)
²⁹ The form for this agreement is available at [*C-PACE Program Guidelines*, Version 3, Exhibit E.](#) Building owners are also free to select their own capital providers and not utilize CEFIA’s capital. Interest rates and terms are negotiated between the owner and lender. The term may not exceed the effective useful life (EUL) of the proposed energy measures.
Performance Measurement and Verification Protocol (“IPMVP”) or an alternative protocol defined by the project’s energy consultant.

- Real energy consumption data for a project must be tracked in the CEFIA data management platform (“CDMP”) over the full term of the C-PACE assessment as a minimum M&V requirement. For any project, the property owner, contractor, lender, mortgage holder, and CEFIA will have access to the CDMP.
- Recurring M&V may be required.

j. Contractor requirements

Depending on the scope and complexity of the project, the auditor, ESCO, and the installation contractor may be required to demonstrate some or all of the following qualifications:30

1. Demonstrated experience and working knowledge of energy efficiency auditing using the ASHRAE energy audit guidelines, supported by ASTM BEPA data collection and analysis methodology; and familiarity with the processes, statutes, and codes governing the C-PACE program.
2. Have on staff, or access to, at least one licensed Connecticut Professional Engineer and, depending on the services being offered, have access to at least one Certified Energy Manager (CEM) and/or one Certified Measurement & Verification Professional (CMVP).
3. Experience and knowledge of building operational characteristics and energy systems.
4. Have a written quality assurance/quality control program for the products/services offered.
5. Provide at least three references of successfully completed projects demonstrating expertise.

k. Supporting local government legislation/ordinances

The enabling legislation for the C-PACE program is Connecticut General Statutes Section 16a-40g.31 Municipalities opt-in to this program by passing a resolution32 and entering into a Legal Agreement with CEFIA.33

l. Transaction and legal costs

CEFIA charges the borrower the following closing fees to cover the administrative costs of the program:

<table>
<thead>
<tr>
<th>C-PACE Finance Amount</th>
<th>C-PACE Transaction Fee:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $150,000</td>
<td>3.00%</td>
</tr>
<tr>
<td>$150,000 - $300,000</td>
<td>$4,500 + 2.25% of amount over $150,000</td>
</tr>
<tr>
<td>$300,000 - $500,000</td>
<td>$7,875 + 1.50% of amount over</td>
</tr>
</tbody>
</table>

30 CEFIA has a list of trained and approved auditors, contractors, project developers, and energy service companies on their website at: http://www.c-pace.com/application/approvedcontractors.
31 Available at, C-PACE Program Guidelines, Version 3, Exhibit A.
Additionally, in Section 3(g)3 of its Legal Agreement with municipalities, CEFIA agrees to pay a fee of $500 to cover “all costs reasonably incurred” in the process of filing the lien with the town.

Because CEFIA is currently in the process of closing on the sell down of its first portfolio of C-PACE projects to the private capital markets, more information regarding legal costs is not yet available to the public.

m. Marketing and outreach

In 2013, CEFIA ran a special municipal marketing grant program in which towns that opted into C-PACE could apply for and receive CEFIA funding for co-branded outreach events. These events ranged from informal business breakfasts to dedicated C-PACE presentations in the evening, including significant focus on contractor education. This proved to be an effective means of getting the word out about C-PACE.

CEFIA also retained an independent marketing firm to help produce C-PACE collateral pieces featuring building owner testimonials and high-resolution pictures of completed projects.  

CEFIA also uses social media, including Tweets and messages to its LinkedIn group regarding upcoming events and municipal participation.

V. Ygrene PACE Model

Ygrene is a private for-profit company that has designed, administered, and funded over 11 PACE programs nationwide. This summary focuses primarily on Ygrene’s Sacramento and the Green Corridor Florida programs. Ygrene also provides contractor certification, marketing, and administrative software for its programs. The Ygrene model is tailored to meet the specific needs of each municipality. There is zero cost to local taxpayers because district implementation, staffing, marketing, and financing costs are all covered by transaction fees.

Local municipalities are responsible for the following:

- Approving an implementing action to form the district and establish the program
- Initiate validation lawsuits if necessary


36 Under some circumstances, assessment district documents can be subject to legal challenge. This was the case in Florida. Therefore, to eliminate this risk, it is Ygrene policy to have the municipality file a lawsuit to establish the legality of the documentation. A favorable ruling by the court validates the program, the assessments and assessment contracts, and any bond authorizations or issuances.
- Authorize the bonds (when necessary)
- Execute documents for the loans
- Execute individual assessment contracts
- Place assessments on the tax roll
- Collect and distribute assessment payments

  a. **Capital sourcing approach**

- Turn-key
- All of Ygrene’s programs use Ygrene’s capital and two financial institutions to fund all of its PACE programs
- Bonds are not issued\(^{37}\)
- Available interest rates are either 4.00% or 4.50%
- Due to the transaction fees, financing for less than $2500 is not practical

  b. **Credit enhancement**

N/A

c. **Eligible property types**

Commercial, industrial, multiple unit residential (five or more units)

d. **Eligible project measures**

- Energy efficiency
- Renewable energy and
- Water efficiency improvements are eligible\(^{38}\)
- Florida also provides financing for wind-hardening retrofits

e. **Program eligibility criteria**

- 15% equity in the property
- Current on mortgage payments for 3 Years
- No bankruptcy for 3 Years
- Current on property taxes for 3 Years
- None of Ygrene’s programs require mortgage holder consent\(^{39}\)

\(^{37}\) Due to a legal technicality, in Florida, bonds are authorized but not issued


\(^{39}\) Florida law does not require consent from existing mortgage lenders for projects that represent less than 20% of the property’s appraised value (Florida law does require consent for projects in excess of 20%). However, under FL law, the property owner must provide 30 days notice to existing lenders to present them with an opportunity to adjust/impose monthly tax/insurance/escrow payments.
Notification, acknowledgment, or consent may be required by the mortgage holder and Ygrene helps the property owner navigate this process

f. **Energy audit requirements**

An Energy Report detailing the amount of energy or water that will be saved (with energy efficiency or water conservation projects) or produced (with renewable energy projects) is required. Audits are not required, but it is left to the property owner and contractor to determine if an audit is necessary.

g. **Interaction between PACE financing and existing incentive programs**

Any incentives or rebates immediately available at the time of project completion may be used to offset the project cost. Any deferred incentives may not be used to offset the project cost.

h. **Funding procedures**

- Initial Eligibility Check (takes about 3 minutes online)
- Funding application
- Funding approval
- Contractor Selection
- Construction performed
- Final accounting process - itemizes all cost, confirms the interest rates, and reconciles the account
- Assessment contract signed by the property owner and the City
- Assessment lien recorded
- Property owner repays the loan through the property tax bill

i. **Measurement and verification**

Ygrene only requires the energy savings/production calculations that are included in the requisite Energy Report. Ongoing tracking is not required.

j. **Contractor requirements**

Contractors must be certified by Ygrene in order to participate in one of Ygrene's Clean Energy programs. Contractors become certified by attending Ygrene training which includes the following topics:

- Ygrene Funding Management Software
- Bid submission and approval process
- Required work contract terms
- Project eligibility requirements
- Ygrene EnergyPro Module
- Program marketing resources
- Materials and supplies
- Clean energy sales tools
k. Supporting local government legislation/ordinances

The California legislation enabling PACE financing includes amendments to the California Streets and Highways Code, Chapter 29, Articles 1 and 2 (or AB 811\(^{40}\)) and amendments to the Mello-Roos Community Facilities Act of 1982 (SB 555\(^{41}\)). The Florida legislation enabling PACE financing is Florida Statue §163.08.\(^{42}\) A public meeting which passed the resolutions required to form Sacramento’s special assessment area and enable the PACE program was held on June 19, 2012.\(^{43}\)

l. Transaction and legal costs

Transaction fees:

Transaction fees range from approximately $900 and $1500 for commercial projects, depending on project size. These fees cover all program costs including: underwriting; recording; tax administration; documentation; cost recovery to the jurisdiction; etc.

Ygrene also charges a 3% closing fee for all projects. Ygrene’s primary source of profit is this 3% fee.

Legal costs:

Ygrene estimates approximately $30,000 to $50,000 to set up each district, including the validation suits (when these suits are not contested).

m. Marketing and outreach

Ygrene uses a corporate team to design and implement a comprehensive marketing and PR plan. This plan includes a local website; a local operations site; email campaigns; direct mail through the city or county; and community, association, and industry events.

VI. Ann Arbor PACE

The City of Ann Arbor is using a two phase program to implement C-PACE financing.\(^{44}\) This summary focuses primarily on Phase I, as the details of Phase II, which are yet to be implemented, are unclear. Initially this program was administered by a local NGO until funding ran out, at which time program administration was transferred to the City.

\(^{40}\) Available at, http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=200720080AB811&search_keywords=.


\(^{42}\) Available at, http://www.leg.state.fl.us/Statutes/index.cfm?App_mode=Display_Statute&Search_String=&URL=0100-0199/0163/Sections/0163.08.html.

\(^{43}\) The minutes from this meeting and the resolutions enabling the assessment area and PACE program are available at, http://utahcleanenergy.org/images/PACE_PDFS/Item_22:\ Community_Facilities_District_for_the_Clean_Energy_Sacramento_Program_and_Authorization_of_Validation_A ction_PDF-1609_KB.pdf.

\(^{44}\) All information was obtained from the City of Ann Arbor Report on Proposed PACE Program (Jan. 9, 2012), available at, http://www.a2gov.org/government/publicservices/systems_planning/energy/Documents/PACEReport%282%29.pdf; and City of Ann Arbor employees.
Ann Arbor PACE launched in 2011 and has funded four projects to date with a total of $540,762 financed. These four projects will result in expected annual energy savings of 366,365 kWh of electricity and 8,616 CCF of natural gas, or $51,051 per year. Additionally, 76% of the construction dollars spent went directly to local contractors.

a. Capital sourcing approach

Phase I of the program was funded using the bond pooling capital approach.
- When the City had enough projects lined up to finance, the City issued the first bond, a $540,000 bond.
- The City then issued a Request for Quotes,\(^{45}\) and only one bank bid on the bond.
- The bond was purchased by Ann Arbor State Bank.
- The bank bought the bond at 4.25% and sold it at 4.75%.\(^{46}\)

This program was slow to fund the first round of projects because, under the pooled capital sourcing approach, the City needed the dollar value of qualified projects to be high enough to warrant issuing a bond. It took one to 1.5 years to set up the program, and one to 1.5 years to organize enough projects to issue the first bond. Only one bond has been issued to date.

PACE bonds may appeal more to local banks than large national banks because local banks are familiar with the local businesses and are invested in local economic development. Another possible source of capital may be large local charitable foundations or purchasers of social impact bonds—by purchasing PACE bonds, charitable foundations are able to help the local community and make money. They may also be willing to collect smaller interest rates.

- In Phase I, the minimum financed amount was $10,000 and maximum was $350,000.
- The repayment term is 10 years
- There are no prepayment or overpayment penalties

b. Credit enhancement

- In Phase I, Ann Arbor used a Loan Loss Reserve Fund, funded by an American Recovery and Reinvestment Act grant.
- For Phase II, there is $150k of the original $200K LLR Fund available for additional rounds of financing.

c. Eligible property types

- Commercial or industrial properties—all buildings or structures except detached one- and two-family dwellings and townhouses not more than three stories above grade in height with a separate means of egress and their accessory structures.
- Some exceptions apply such as casinos, aquariums, zoos, golf courses, and swimming pools.
- Property must be within city limits.\(^{47}\)

\(^{45}\) A copy of the RFQ is available at, [http://utahcleanenergy.org/images/PACE_PDFS/Ann_Arbor_RFQ.pdf](http://utahcleanenergy.org/images/PACE_PDFS/Ann_Arbor_RFQ.pdf).
\(^{46}\) The interest rate charged may not exceed 1% per annum above the true interest cost of the debt issued to fund the energy project.
d. Eligible project measures

Eligible project measures include energy efficiency improvements and renewable energy systems that fall under the NEPA categorical exclusion submitted for the program. These measures include:

- Energy analysis (energy audit)
- Insulation and weather sealing
- Lighting and controls
- Heating, ventilating, and air-conditioning (HVAC) upgrades
- High-efficiency shower and faucet aerator replacements
- ENERGY STAR® Appliances
- New doors and windows
- Solar photovoltaic (electric) systems
- Wind turbines
- Solar thermal hot water
- Ground source heat pump – 5.5 ton or smaller, horizontal/vertical, ground, closed loop system
- Combined heat and power system – boilers sized appropriately for the buildings in which they are located
- Biomass thermal – 3 MMBTUs per hour or smaller system with appropriate Best Available Control Technologies (BACT) installed and operated

Waste management plans are required for projects that generate a waste stream.

Eligible project measures in Phase II may include projects not allowable in Phase I, such as:

- Renewable projects that are larger than NEPA categorical exclusion size if they are on the customer’s side of the meter.
- Measures to conserve water or increase the efficiency of water usage without apparent energy efficiency or energy conservation measures.
- Any other installation or modification of equipment, devices, or materials approved as a utility cost-savings measure by the governing body.
- Installation or upgrades of electrical wiring or outlets to charge a motor vehicle that is fully or partially powered by electricity.

47 Any commercial properties that are located within the City boundaries but remain under township jurisdiction are not eligible.
48 Defined as equipment, devices, or materials intended to decrease energy consumption.
49 Defined as a fixture, product, device, or interacting group of fixtures, products, or devices on the customer’s side of the meter that use one or more renewable energy resources to generate electricity. This includes a biomass stove but does not include an incinerator or digester.
50 The NEPA categorical exclusion document is provided in the City of Ann Arbor Report on Proposed PACE Program, at 47-50. NEPA compliance is required due to the American Recovery and Reinvestment Act grant.
51 Note that unlike many other PACE programs, the Ann Arbor program does not require the project to be permanently affixed to the property.
52 A template waste management plan is provided at City of Ann Arbor Report on Proposed PACE Program, at 93-95.
e. Program eligibility criteria

- Property owner must provide proof of mortgage holder consent
- Applicant must be property title holder
- Property must be free of involuntary liens (such as federal or state taxes or judgments)
- Property owner must be current on mortgage
- Property owner must be current on property taxes
- Property owner must be current on utilities bills
- Property owner is current on any other special assessments
- Property owner cannot be in bankruptcy and property cannot be an asset in a bankruptcy proceeding
- The project cost cannot exceed 20% of the property’s State Equalized Value before energy improvements
- The lien-to-value of the property cannot exceed 99% of two times the State Equalized Value (not including the energy assessment amount)

f. Energy audit requirements

Property owners must obtain a comprehensive energy analysis, which includes baseline energy use data for the 24 month period prior to the assessment, unless:

- The Program Administrator determines the property qualifies for a limited energy analysis because it is very limited in scope; or
- The property has an energy analysis that:
  - Was performed under the energy efficiency program sponsored by the Ann Arbor Downtown Development Authority; or
  - Is less than three years old and meets ASHRAE Level II or III protocols

The comprehensive energy analysis may either be an ASHRAE Level II or III audit or meet the “Rebuild Michigan, Technical Energy Analysis Guidelines.” An Energy Analysis Report Certification Form must be submitted.

For projects that will cost between $250,000 and $350,000, property owners must contract with an Energy Services Company to perform a full audit and enter into a Guaranteed Performance Contract. To date the Ann Arbor program has not funded any projects greater than $250,000.

g. Interaction between PACE financing and existing utility incentive programs

Neither the value of expected rebates nor the value of expected tax deductions or tax credits are deducted from the assessment amount. The assessed amount is the full amount of the project as submitted in the application, unless the applicant was notified in writing that a rebate will be received.

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53 The guidelines are provided in the City of Ann Arbor Report on Proposed PACE Program, at 63-71.
54 The form is available at, City of Ann Arbor Report on Proposed PACE Program, at 72-77.
h. **Funding procedures**

1. **Pre-application process**: Property owner contacts the Program Administrator, who then:
   a. Reviews proposed project
   b. Determines whether the property has an existing qualified baseline energy analysis
   c. Researches property value information
   d. Provides property owner with a statement regarding the type of energy analysis/audit required and instructions on contacting the mortgage holder

2. **Project scoping**:
   a. Meeting held with the auditor, property owner, and Program Administrator to review the energy analysis results and determine scope the project
   b. Project is entered into the record management system
   c. Property owner obtains written project bids

3. **Application**:
   a. Property owner completes and submits application package\(^{55}\) (including a mortgage holder consent form\(^ {56}\) and a Declarations Contract\(^ {57}\) and application fees
   b. Program Administrator:
      i. Reviews application for completeness
      ii. Performs title search
      iii. Performs technical review of the application to ensure all eligibility requirements are met
      iv. Issues an approval

4. **Completion**:
   a. Property owner obtains building permits
   b. All property owners sign Energy Assessment Agreement, which includes Contractor Declaration and Contractor Affidavit contracts\(^ {58}\)
   c. Construction work must begin within 30 days and be completed within 90 days of execution of the Energy Assessment Agreement, unless an extension is granted
   d. Property owner competes final inspection and submits a Certificate of Completion, the waste management plan, and invoices showing all project costs covered by the disbursement
   e. Program Administrator reviews documentation
   f. Ann Arbor disburses funds and records the obligation with the County Clerk

i. **Measurement and verification**

- Property owners are required to submit monthly energy usage data to the PACE Administrator twice per year.
  - The Program Administrator enters this data into a database and calculates the reductions in energy use over time.

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\(^{55}\) Included in the *City of Ann Arbor Report on Proposed PACE Program*, at 78-105.
\(^{56}\) Included in the *City of Ann Arbor Report on Proposed PACE Program*, at 98-99.
\(^{57}\) Included in the *City of Ann Arbor Report on Proposed PACE Program*, at 100-01.
\(^{58}\) Included in the *City of Ann Arbor Report on Proposed PACE Program*, at 106-24.
• Property owner must submit annual certification of the current status of the property, equipment, and insurance.\textsuperscript{59}

\textbf{j. Contractor requirements}

• Any new energy analyses that may be required must be completed by one of seven pre-qualified auditors.\textsuperscript{60} To qualify the auditor must have a licensed professional engineer or architect on staff, have at least five years of experience working with building energy systems, and have performed at least 10 audits meeting the requirements for an energy analysis under this program.
• Construction contractors must be licensed and submit a Certification of Contractor Qualifications form.\textsuperscript{61}

\textbf{k. Supporting local government legislation/ordinances}

The enabling legislation for the C-PACE program is Public Act 270 of 2010.\textsuperscript{62} In response, the Ann Arbor City Council passed a Resolution of Intent to Establish a PACE Program,\textsuperscript{63} prepared a report on the proposed program which was made publicly available, held a public hearing on the proposed program, and, in 2011, passed a Resolution of Establishment of a PACE Program.\textsuperscript{64}

\textbf{l. Transaction and legal costs}

Transaction costs:
• Application fee - $300
• Title search fee – minimum of $230, depending on the property
• Recording fee - $23
• Annual administration fee - $13.45

Legal costs:
• $20,000-$30,000 for bond counsel and financial advisor.\textsuperscript{65}

Ann Arbor spent approximately $300,000 (primarily on consultants) to set up its PACE program from scratch. This amount does not include any City staff time. Also, because bond counsel and financial professionals wanted to see the project work, they likely reduced their fees.

\textbf{m. Marketing and outreach}

Ann Arbor uses a three prong marketing approach:

1. A website

\textsuperscript{59} A form is provided in the \textit{City of Ann Arbor Report on Proposed PACE Program}, at 125-26.
\textsuperscript{60} A list of pre-qualified auditors is available at, http://www.a2gov.org/government/publicservices/systems_planning/energy/Documents/01-9-12%20Final%20List%20of%20Pre-Qualified%20Auditors.pdf.
\textsuperscript{61} Included in the \textit{City of Ann Arbor Report on Proposed PACE Program}, at 102-05.
\textsuperscript{63} Included in the \textit{City of Ann Arbor Report on Proposed PACE Program}, at 33-36.
\textsuperscript{64} Included in the \textit{City of Ann Arbor Report on Proposed PACE Program}, at 37-42.
\textsuperscript{65} Note that this would have been higher if the program had needed to get credit ratings for open market financing.
It took one to 1.5 years to attract any projects because the marketing budget was very low. The City pretty much just sat back and waited for applicants to come to them, rather than going out and recruiting business owners to apply for financing.

VII. Set the PACE St. Louis

The Set the PACE St. Louis program launched in July 2013 and is among the fastest to fund a project from program launch.66 Funding has closed on one project, and three more are set to close in the near future. Also, the program is currently processing approximately 52 applications for projects with a wide range of scope and at various stages of development. The total cost of these 52 projects is approximately $7.4 million. Also, one large project with a proposed cost of approximately $2.5 million is currently in the audit phase.

This program is administered by Energy Equity Funding, LLC on behalf of the St. Louis Clean Energy Development Board (CEDB), with project financing provided by PNC Bank. Set the PACE St. Louis loans may qualify as an operating expense. This means owners can finance improvements without incurring additional debt and preserve capital and credit lines for core business investments. Also, under typical leases, payments, as well as energy savings can be passed along to tenants.

a. Capital sourcing approach

- Warehoused or open market/owner arranged
- Property owners make payments directly to the lending institution per the terms of their financing agreement, and only in the event of a default will an assessment on the property be recorded. In this case, the loan does not take seniority over the mortgage and if the property owner chooses to sell the property, the purchaser may require the loan to be paid off at closing.
- OR, the property owner may choose to have an assessment recorded on the property. In this case, if the property owner chooses to sell the property, the assessment will be transferred to the new owner. However, the administrator has found that, due to the additional cost associated with recording the assessment, property owners have not chosen this option.
- The maximum financing amount for a project is up to 10% of the value of the property
- The minimum financing amount is $2500
- Loans can be amortized over 5, 10, 15, or 20 years depending on the improvements that will be made to the property
- Interest rates will be competitive market rates for land-secured loans. Currently, rates range between 3-5%
- There is no fee for early repayment

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66 All information was obtained from the Set the PACE St. Louis website at http://www.setthepacestlouis.com/index.shtml and Energy Equity Funding, LLC staff.
b. Credit enhancement

Set the PACE St. Louis does not use any credit enhancement mechanisms.

c. Eligible property types

- Offices
- Small and medium retail spaces
- Multi-family units
- Industrial properties

d. Eligible project measures

- Energy efficiency measures\(^67\)
  - Air sealing and weatherization
  - Insulation
  - Cool roof and wall systems
  - Space heating ventilation, and air conditioning (HVAC)
  - Water heating
  - Windows, window film, skylights, and doors
  - High efficiency pool circulating pumps and motors, natural gas pool heaters
  - Lighting measures
- Renewable Energy systems
  - Solar PV
  - Solar thermal water heating
  - Small wind turbines
- Water conservation systems
  - High efficiency toilets
  - Urinals
  - Hot water delivery systems
  - Weather based irrigation control systems
  - Rotating sprinkler nozzles
  - Drip irrigation
  - Rainwater catchment
  - Gray water systems

e. Program eligibility criteria

- Mortgage holder consent is only required if an assessment is recorded on the property.
- Applicant owns commercial property in the City of St. Louis.
- Applicant has no outstanding and unsatisfied tax liens on the property.
- Applicant has no overdue property tax on the property.
- Property is current on all mortgage debt.
- Applicant has no overdue municipal service charges.
- Applicant or property is not currently involved in a bankruptcy proceeding.

\(^{67}\) More specifics are available at, [http://www.setthepacestlouis.com/eligibleprojects.shtml](http://www.setthepacestlouis.com/eligibleprojects.shtml)
• Any outstanding mortgage(s) plus the PACE project costs cannot exceed 90% of the property's value.
• Savings-to-investment ration greater than one.
• Underwriting criteria for commercial projects will be handled on a case-by-case basis as the variables for project size and scope vary so greatly. The mortgage holder, the bank providing interim financing, the program administrator, and the energy contractor work together to design the most beneficial property improvement.

f. Energy audit requirements

A certified energy audit is always recommended to analyze the property and generate a project plan which maximizes the property's energy efficiency. However, a select group of prescriptive measures are eligible without performing an audit. If the applicant may and does opt to forego an energy audit, the project must meet the requirements of the Missouri PACE statute by being verified by the program administrator as having an economic benefit equal to or greater than the cost of the project, and per the U.S. Department of Energy PACE guidelines, have an "expected Savings-to-Investment Ratio (SIR) greater than one," with the "financed package of energy improvements designed to pay for itself over the life of the assessment."

If the applicant must or opts to perform an audit, he/she must select a participating ASHRAE accredited energy auditor or consultant. If the applicant chooses to proceed with the energy savings recommendations generated by the audit, the cost of the initial consultation may be included in total amount financed.

g. Interaction between PACE financing and existing incentive programs

Any existing utility rebate and incentive programs are used to offset the cost of the project.

h. Funding procedures

• Property owner submits an application with $25.00 fee and gets preliminary approval for participation. This will determine basic eligibility for the program and scope of the project based on information supplied by the property owner. Property owners will be contacted within 48 hours for preliminary approval and for next steps.
• Contractor engaged and project designed. The property owner can select a participating energy consultant to analyze their property to generate a project plan to maximize their property's energy efficiency.
• Design phase completed. Once the energy consultant has generated a project plan, the property owner will decide how much of the plan will be implemented and selects contractor(s) to perform the work.
• Loan application documents forwarded to lending institution. The property owner completes a full loan application and forwards this application, the work plan, and cost estimates to the lending institution for review and approval.
• Construction phase. Once financing has been approved for the project by the lending institution, construction of the improvements will begin. For larger projects, progress payment(s) can be made.

• Work completion and payments disbursed. Once the project is completed, the property owner will verify with the lending institution and the program administrator that the work has been completed. All construction liens will be signed off on and funding completed. In a typical scenario, funds should be available within days of the verification being sent to the lending institution.

i. Measurement and verification

• The administrator selects a portion of completed projects to verify that work was completed satisfactorily.
• The property owner must sign a release allowing the program administrator to access the building’s utility bills for the year prior to improvements through the completion of the improvements and the final payment of the loan. This is so the Program Administrator can verify that the Set the PACE St. Louis program is saving energy and the property owners are saving money.
• Some projects may be tested for measurement and verification for actual case studies.

j. Contractor requirements

Contractors must be registered as participating contractors. If the applicant has a contractor that he/she prefers to work with, the contractor may register to be a participating contractor for the program. Participating contractors must:

• Maintain all business licenses and permits required to do business in the City of St. Louis
• Carry insurance with liability coverage in the amount of $1,000,000
• Pay a one-time marketing fee:
  o Commercial Building Energy Consultant - $300.00
  o One commercial contractor category$69 - $300.00
  o Two commercial contractor categories (can include Energy Consultant) - $450.00
  o Commercial Program Ambassador (any and all commercial categories) - $800.00
  o Energy Services Company Program Ambassador (covers multi-commercial categories) - $800

k. Supporting local government legislation/ordinances

The Missouri State statute enabling the PACE program is the Missouri PACE Act.$70 St. Louis’ ordinance enabling the PACE program became effective on January 22, 2012.$71

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$71 Available at, [http://www.slpl.lib.mo.us/cco/ords/data/ord9056.htm](http://www.slpl.lib.mo.us/cco/ords/data/ord9056.htm).
1. **Transaction and legal costs**

This program goes to great lengths to minimize legal and transaction costs. Because the lender services the loan and has agreed to carry the note to term, there is no need to employ an outside financial adviser. Also, because no bonds are issued, bond counsel is not needed. Finally, there is no need to pay transactional costs to the assessor's office because the lender is paid directly (this is a significant savings). The lender will allow the property owner to pay back through the assessor's office, but given the savings, it is anticipated that most property owners will prefer to deal directly with the lender.

m. **Marketing and outreach**

This program focuses its marketing and outreach on contractors and treats them as partners. The program also reaches out through the local utilities to trade allies to gain support for the program. Also, the program has earned some media attention for some of the specific projects. Contractor registration fees cover the marketing costs. Finally, the program is about to launch a direct mail piece, funded by an ESCO, as a joint marketing effort (one side is about Set the PACE St. Louis, and the other side is about the ESCO). This mailer is set to be sent to every commercial property owner in the city.

VIII. **Lean & Green Michigan**

The Lean and Green Michigan C-PACE program launched in 2012 and has financed $500,000 of one $1 million project to date. This program is a statewide PACE program that allows municipalities to create a PACE district at no cost and without hiring additional staff. One large law firm and one private administrator (Levin Energy Partners) represent all participating municipalities. The details of the program may be tailored to incorporate the particular needs of each PACE district.

a. **Capital sourcing approach**

- Open market/owner arranged- municipalities may allow property owners to obtain financing from banks and other sources of private capital or may use municipal or private bond financing.
  - Comerica Bank provided up-front capital and consent for the PACE financing of the first project.
- Assessment terms may be 10 or 20 years or longer (up to the useful life of the improvements).
- The minimum project size is $10,000 and there is no maximum.

b. **Credit enhancement**

The administrator is working with the Michigan Economic Development Corporation to provide gap financing which enables projects where a property owner's credit or collateral is not quite adequate but a financial institution or equity investor is otherwise interested in providing capital.

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72 All information was obtained from PACE Now, [http://pacenow.org/resources/all-programs/#Michigan](http://pacenow.org/resources/all-programs/#Michigan); LEAN & GREEN MICHIGAN, [http://www.leanandgreenmi.com/index.htm](http://www.leanandgreenmi.com/index.htm); and Levin Energy Partners employees.
The administrator is also working on other credit enhancement mechanisms, but specifics are not yet publicly available.

c. **Eligible property types**

Commercial, industrial, or multi-family (five units or more) properties

d. **Eligible project measures**

Virtually all energy efficiency, water conservation, and renewable energy projects, including but not limited to:

- Insulation
- Caulking, weather-stripping, and air sealing
- Windows
- Doors
- Energy control systems
- HVAC
- Energy recovery systems
- Lighting fixtures and day lighting systems
- Electrical systems to charge PEVs and HPEVs
- Water use reduction or efficiency
- More energy-efficient or water-efficient manufacturing processes or equipment
- Biomass
- Solar
- Solar thermal
- Wind
- Geothermal
- Methane gas captured from a landfill
- Anything else approved as a "utility cost-savings measure" by a municipality participating in Lean & Green Michigan

e. **Program eligibility criteria**

- Mortgage holder must consent to the assessment.
- For projects over $250,000, the contractor must guarantee that the savings-to-investment ratio will be greater than one.
- There are no delinquent taxes, special assessments, or water or sewer charges on the property.
- There are no delinquent assessments on the property under a property assessed clean energy program.
- Other eligibility requirements are determined by each participating lender.

f. **Energy audit requirements**

The necessary audit is determined by the administrator on a case-by-case basis
g. Interaction between PACE financing and existing incentive programs

The program encourages the use of any available incentives that complement PACE financing.

h. Funding procedures

1. Property owner submits initial online application/request for information.
2. Administrator reviews initial application to determine if property qualifies.
3. Administrator works with property owner to determine appropriate energy audit.
4. Energy audit performed.
5. Project scope and cost are determined.
6. Lender underwrites project.
7. Property owner submits full application, including mortgage holder consent.
8. Administrator reviews application and project proposal.
9. Municipality and property owner enter into a written Assessment Agreement.
10. Lender funds project.
11. Contractor completes project.
12. Owner repays loan through property tax bill OR directly to lender.

i. Measurement and verification

Michigan’s PACE statute requires that every participating municipality must obtain verification that the improvements were properly installed and are operating as intended. The method of verification to be used is still being developed.

For projects over $250,000, the property owner must perform ongoing measurements to monitor the savings realized by the improvements. Both the method of measurement for these larger projects and the method of measurement for smaller projects are still being developed.

j. Contractor requirements

The administrator is currently drafting a checklist of auditor/contractor requirements. However, as a baseline, contractors must be licensed, bonded, and insured.

k. Supporting local government legislation/ordinances

The enabling legislation for the C-PACE program is Public Act 270 of 2010.\(^3\) Any municipality in the state may join after holding a public hearing and passing resolutions of intent and adoption.

l. Transaction and legal costs

Legal and administrative fees are incorporated into the financing of each PACE project.

Transaction costs:
- Total transaction costs vary depending on project size and the type of securitization lenders utilize.

A 2% base administrative fee is applicable to the total amount of the project, plus 50 basis points on future repayments to account for ongoing administrative duties.

Legal costs:
- Because this program only recently approved its first project, information regarding legal costs is not yet available.
- There are no legal fees associated with bond issuance because bond issuances are not necessary, unless a municipality opts to issue bonds.

m. Marketing and outreach
- The program administrator actively contacts and holds meetings with government officials, lenders, building owners, and energy contractors
- Website
- The administrator is currently working on a one-page brochure for each district, a 90-second video, and a contractor training and services program

IX. GreenFinanceSF

The GreenFinanceSF C-PACE program launched in 2011 and has closed financing for one project, financed with the issuance of a $1.4 million bond issued to Clean Fund, a specialty finance company. The combination of energy efficiency measures and a solar PV installation are expected to result in a 32% reduction in energy consumption (as compared to a 2011 baseline), and generate $98,000 in energy cost savings per year (24% improvement over 2011); two-thirds of those savings are from the HVAC and lighting efficiency improvements.

This program was originally designed and administered by a private, third-party organization. However, because project volumes have been low, the Department of the Environment, a division of the City of San Francisco, took over administration of the program. Department of Environment administration is funded by the departmental budget and a debt service reserve fund (“DSRF”) which is funded by State Energy Program (ARRA) grants.

Other city departments work only on an as-needed basis. The Office of Public Finance is a division within the Controller’s Office. The Office of Public Finance is responsible for issuing and managing the City’s general fund debt obligations. Its mission is to provide and manage low-cost debt financing of large-scale, long-term capital projects and improvements that produce social and economic benefit to the City and its citizens while balancing market and credit risk with appropriate benefits, mitigations and controls. They have been integrally involved in all stages of program design and closing. They also have relationships with banks (who serve as fiscal agents), underwriting firms, and financial advisers when required. Other key city staff include: city attorney (legal); assessor/recorder’s office (records notice of special tax lien securing financing); treasurer/tax collector’s office (levies and collects special taxes through tax rolls).

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74 All information was obtained from ENERGY UPGRADE CALIFORNIA IN SAN FRANCISCO COUNTY, https://commercial-pace.energyupgradeca.org/county/san_francisco/overview; GreenFinanceSF Program Handbook, v.11.17.11, available at https://content.renewfund.com/production/san_francisco_county_ca_commercial/gfsf_program_handbook.en.pdf; and City of San Francisco employees.
a. Capital sourcing approach

- Open market - property owners negotiate project financing, including the interest rate and repayment term, with qualified project lenders willing to fund their project. Qualified project lenders include:
  a. “Accredited investors” as defined by Rule 501(a) under the Securities Act of 1933; or
  b. “Qualified institutional buyers” as defined in Rule 144A under the Securities Act of 1933; or
  c. Banks, savings institutions, or insurance companies; or
  d. Certain trust, custodial, or similar arrangements conforming with Section 7(iv) of the Sample Bond Purchase Contract.\(^{75}\)

- The minimum amount financed is $50,000.

b. Credit enhancement

The city provides a credit enhancement option through the DSRF, which helps cover project lenders in the event of late payments. A standard DSRF allocation is equal to 10% of the total requested financing amount, with a maximum allocation of $100,000. However, requests for allocations exceeding 10% or $100,000 will be considered on a case-by-case basis. Lenders may decline a DSRF allocation if they choose. The city utilizes grant funds provided under the American Recovery and Reinvestment Act for the DSRF, so the credit enhancement option is limited. Once the DSRF is fully allocated, and other grant funds that cover program operational costs are exhausted, applicants will have to cover such costs through fees, which they may add to the financed amount.

c. Eligible property types

Commercial properties, defined as:

- A property the primary use of which is not residential, or
- A property used for multi-family housing with five or more units.

d. Eligible project measures

Eligible measures include permanently affixed energy efficiency upgrades, water conservation retrofits, and on-site clean power generation projects, with a useful life of five years or longer. This program provides an extensive list of measures that are eligible for financing.\(^{76}\) Custom measures may be proposed on a case-by-case basis, which requires additional technical review by the administrator, at additional cost to the property owner.

e. Program eligibility criteria

- Any mortgage or other private lien holders must consent in writing.
- Property is located within the City and County of San Francisco.


• All owners of the property must sign all required documents.
• Property is eligible to pay property taxes.
• The property owner must not be in default, or have a history of default on the mortgage or non-payment of property taxes within the past five years (exceptions may be granted on a case-by-case basis).
• The property owner must not have filed for bankruptcy within the past three years.
• Property must not be subject to any significant pending legal action, involuntary liens, or judgments. A property owner with an involuntary lien may be allowed to participate if it can demonstrate an acceptable reason for the lien, default judgment, and a path for resolution along with supporting documentation. A property with an involuntary tenant’s lien will be reviewed and eligibility will be determined on a case-by-case basis.
• The combined debt (including new project financing) cannot exceed the current value of the property; value is determined by using the current assessed value, or an appraisal by a city-approved appraiser within 90 days of the application, or market value calculated using a method identified by the city.

f. Energy audit requirements

The property owners must have a professional energy and water audit conducted on the property and all proposed upgrades must appear as identified opportunities or recommendations within the audit report. Measures not identified or recommended in the audit may be considered for approval on a case-by-case basis. The cost of the audit may be included in financing. The type of energy audit required depends on the total project cost:

• If less than $100,000 – Completion of an ASHRAE Level 1 audit and an Energy and Cost Savings Analysis Template comparable in technical rigor to an ASHRAE Level 2 audit.
• If equal to or greater than $100,000 – Completion of an ASHRAE Level 2 audit.

When seeking to install renewable energy systems, owners are first required to reduce the property’s total energy demand by 10%. An ASHRAE Level 2 audit is required to demonstrate compliance with this requirement.

All participants in this program must obtain a free Water-Wise Evaluation through the San Francisco Public Utilities Commission, unless the energy audit includes water conservation measures.

g. Interaction between PACE financing and existing incentive programs

• Program participants must participate in the San Francisco Public Utilities Water Wise Program
• Program participants installing solar are required to participate in the California Solar Initiative rebate program and the GoSolarSF incentive program
• Properties with energy demand above 200 kW are required to participate in PG&E Interact Services, which provide near real-time energy usage monitoring
• Program participants are encouraged to participate in other available rebate and incentive programs in order to lower the total cost of the project. If an owner elects not to

77 The appraisal fee ranges from $5000-$10,000.
participate in non-requisite rebate and incentive programs, the owner must pay additional fees to cover project review and on-site inspections that would otherwise be conducted by the rebate or incentive programs.\textsuperscript{78}

h. Funding procedures

1. Property owner submits initial application,\textsuperscript{79} organizational documents, a title search payment ($250-$1000), and a DSRF allocation request (if desired)
2. Green Finance SF reviews initial application within 10 business days and provides eligible properties with a Conditional Reservation and, if requested and available, a DSRF allocation
3. Property owner works with a qualified engineer or contractor to conduct an energy/water audit and define the scope of the project.
4. Property owner gets mortgage holder consent.\textsuperscript{80}
5. Property owner finds a PACE lender and negotiates PACE loan terms.\textsuperscript{81}
6. Property owner submits full application, contractor bids for the project, a property value statement form, a mortgage lender consent form from all mortgage and lien holders on the property, copies of the audit(s), an Energy and Cost Savings Analysis Template, rebate/incentive documents, and the application fee within 120 calendar days of issuance of the Conditional Reservation.
7. Green Finance SF reviews full application within ten business days of submittal and, if approved, issues a Final Reservation, a Notice to Proceed, and necessary documents.
8. Property owner executes necessary documents including an executed and notarized property owner approval form,\textsuperscript{82} a Utility Authorization to Release Information, and an Assignment of Right to Receive Financing Proceeds.
9. Contractor performs upgrades and property owner submits a funding disbursement request and Project Verification documents, which include a final permit inspection from the city, a final invoice from the contractor(s), documents verifying issuance of rebates or incentives, and a copy of the Water-Wise post-installation verification (if applicable).\textsuperscript{83}
10. GreenFinanceSF verifies project milestones or completion, adds a special tax line item to the property tax bill, and issues a bond to the project lender.\textsuperscript{84}
11. GreenFinanceSF makes the disbursement to the property owner.
12. Property owner pays contractor(s) with the disbursement and begins making PACE payments with property tax bill.

\textsuperscript{78} These fees include: a technical review fee ($540), and pre-install and post-install site inspection fees ($540 and $675, respectively).
\textsuperscript{79} Available at, https://content.renewfund.com/production/san_francisco_county_ca_commercial/gfsf_program_application.en.pdf.
\textsuperscript{81} A list of eligible lenders is available at https://content.renewfund.com/production/san_francisco_county_ca_commercial/sf_eligible_lenders.en.pdf. However, a property owner does not have to use a lender from the list.
\textsuperscript{83} The project must be completed within 360 calendar days of issuance of the Final Reservation (upon request and payment of an extension fee, a 90 day extension may be granted).
i. Measurement and verification

- Property owners agree to provide the city with access to the property’s utility usage information so the city may monitor energy savings.
- This program also requires owners to participate in utility rebate or customized incentive programs (where available and applicable) that offer verification/inspection mechanisms, or submit independent project reviews and site inspections at additional cost.
- Property owners are also required to enroll in a free energy usage tracking service called ENERGY STAR Portfolio Manager and report results to the city annually to help track whether the installed upgrades are delivering the expected energy and cost savings.
- Also, properties with energy demand above 200 kW are required to participate in PG&E Interact Services, which provide near real-time energy usage monitoring.
- Property owners are encouraged to do more detailed performance analysis to further ensure continued energy and cost savings.

j. Contractor requirements

- Energy efficiency and water conservation measures must be installed by a licensed contractor.
- Solar PV and water heating projects must be installed by a licensed contractor on the California Solar Initiative list.

k. Supporting local government legislation/ordinances

The California legislation enabling PACE financing includes amendments to the California Streets and Highways Code, Chapter 29, Articles 1 and 2 (or AB 811) and amendments to the Mello-Roos Community Facilities Act of 1982 (SB 555). City resolutions enabling the PACE program were passed between November 18, 2009 and July 26, 2011.

l. Transaction and legal costs

One time transaction costs:
- Special Tax Administration fee ($1000)
- Recording fee (0.20% of project cost)
- Bond Counsel fee (up to 2% of project financed amount)

Ongoing transaction costs:
- Special Tax Role Administration fee ($15 per year)
- Tax Roll Inclusion fee ($21.55 per year)

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m. Marketing and outreach

- GreenFinanceSF uses many approaches to market its PACE program including: a website, press releases, social media, industry blogs, newsletters, direct mailers, meetings with property owners, industry group presentations, and program partner meetings (capital providers, utilities, contractors/service providers, mortgage lenders).
- GreenFinanceSF also linked the PACE program with education and outreach efforts supporting the “Existing Commercial Buildings Energy Performance Ordinance,” which requires owners of affected commercial properties to benchmark their building with ENERGY STAR Portfolio Manager and conduct energy audits, and to report results to the City.

X. Energize NY

The Energize NY C-PACE program launched in 2013 and has not yet financed any projects. The program is administered by the Energy Improvement Corporation (“EIC”), a New York State nonprofit local development corporation, in partnership with the New York State Energy Research and Development Authority (“NYSERDA”), a state administrative agency. Energize NY has not yet financed any projects, so some details are not yet available. However, it hopes to finance its first project this year and plans to release an RFP this week.

a. Capital sourcing approach

- Energize NY plans to use a two phase financing approach.
  - The first phase will use a warehoused line of credit with a variable interest rate. This line of credit is financed by First Niagara Bank.
    - Energize NY also issued a Request for Proposals Related to Participation as Financing Services Provider as Underwriter, Placement Agent, Direct Investor, or Lender on March 7, 2014. This RFP closes on April 10, 2014 and this outline will be updated once Financing Services Providers are selected.
  - In the second phase, Energize NY hopes to expand into the open bond market. It is working with financial advisor Public Finance Management to plan the details of the second phase.
- Maximum financing term is 15 years.
- The minimum financing amount is $3000.

b. Credit enhancement

Energize NY has a Loan Loss Reserve Fund of over $1 million. This fund will be used to protect a municipality if the property owner does not pay, or to protect the lender if a municipality does not pay.

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c. Eligible property types

Eligible properties include three categories of commercially owned properties: (1) non-residential commercial, industrial, institutional, and not-for-profit non-residential facilities; (2) small multifamily (1 to 4 unit) buildings; and (3) large multifamily (5+ units) buildings. This program does not include properties owned by government entities.

d. Eligible project measures

Energy efficiency measures and renewable energy projects that qualify for PACE financing include but are not limited to:

- Water heating and conservation measures
- Interior and exterior lighting systems and controls
- Primary heating, ventilation, and air conditioning systems and controls
- Motors and variable frequency drives
- Transformers and rectifiers
- Solar PV generation
- Solar thermal water heating
- Air sealing, insulation, and other weatherization measures

These improvements must be permanently affixed to the property.

e. Program eligibility criteria

- Existing lender consent required.
- Property is located in a municipality that has joined the program.
- Estimated energy cost savings from improvements must be greater than annual finance payments.
- Improvements must have a Savings-to-Investment ratio greater than one.
- Property’s existing Loan-to-Value no greater than 80%, as determined by the EIC in their sole discretion.
- Financing up to 10% of the value of the benefitted property.
- Property owner is the legal owner of the property and all the legal owners of the property agree to participate.
- Property owner has not filed for bankruptcy within last 7 years and the property is not an asset subject to a bankruptcy proceeding.
- Property owner certifies that it is current on any mortgage and has not defaulted on the mortgage.
- The property has at least three year history of timely property tax payments.
- The property has no mortgage defaults or other property-related defaults.

89 Program requirements are not yet available for the first two categories of properties (this information is expected to become available sometime in 2014). Therefore, most of the information in this summary comes from the program handbook for large multifamily properties. However, the Energize NY website states that, while the energy assessment tools and work scopes for each property category rely on different New York State Energy Efficiency and Renewable Energy Programs for measurement and verification, the steps to secure financing are the same for each category of property.
• The property is not subject to any involuntary liens or judgments in excess of $1000 in the aggregate.

f. Energy audit requirements

Each applicant must participate in a Qualiﬁed Energy Program in order to develop a Scope of Work plan. A Qualiﬁed Energy Program is an energy efﬁciency or renewable energy program approved by the New York Public Service Commission and administered by an investor owned utility, Long Island Power Authority, New York Power Authority, or New York State Energy Research Development Authority. A Qualiﬁed Energy Program includes a Qualiﬁed Energy Assessment and/or a Renewable Energy System Feasibility Study, and a cost-beneﬁt analysis. Any costs associated with the Qualiﬁed Energy Program may be included in the ﬁnancing.

g. Interaction between PACE ﬁnancing and existing utility incentive programs

• Applicants must conduct a Qualiﬁed Energy Assessment which may be administered by the local utility.
• Utility incentives may be used to lower the cost of the improvement project.
• Financing is net of all nontax-based incentives.

h. Funding procedures

1. Applicant submits Pre-Application (available on Energize NY website) to EIC.
2. EIC reviews Pre-Application and issues a Conditional Reservation Number.
3. If approved, applicant participates in a Qualiﬁed Energy Program which is used by a consultant to create a ﬁnal Scope of Work plan.
4. Applicant submits a customized Application with required documents (Lender Consent Form, organizational documents, appraisal, mortgage documents, Scope of Work plan) to EIC within 90 days of issuance of the Conditional Reservation Number.
5. EIC reviews the Application:
   a. This process includes a title search and other title and background checks to ensure the property meets the eligibility requirements of the program including: a last owner search, lien search (including mortgages), judgment search, bankruptcy search, and a search for any outstanding unpaid property taxes or involuntary liens on the property in excess of $1000.
   b. EIC reviews the proposed Scope of Work plan solely to ensure that the proposed Improvements meet the eligibility criteria of the program.
6. If approved, applicant submits signed Finance Agreement and Finance Disclosure documents to EIC within 10 business days.
7. EIC issues Notice to Proceed including a mutually agreed upon project completion date.
8. Applicant submits 90 day progress report.

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90 Non-proﬁt and small business owners with an average annual electric demand of 100kW or less may be eligible for free or reduced cost Qualiﬁed Energy Assessments through the NYSERDA Green Jobs Green NY Program.
91 5+ Unis Multifamily Program Handbook, Appendix D.
92 5+ Units Multifamily Program Handbook, Form 2.
93 5+ Unis Multifamily Program Handbook, Appendix E.
94 5+ Unis Multifamily Program Handbook, Appendix F.
9. Contractor completes improvements and submits proof of completion to EIC.
10. NYSERDA performs on-site visit to confirm that project is complete and is ready to be financed.
11. EIC releases funds to applicant\(^95\) who then pays contractor and makes an annual payment on their property tax bill.

   i. Measurement and verification

NYSERDA performs an on-site visit to confirm that project was installed properly and is ready to be financed.

NYSERDA performs ongoing measurement and verification using a combination of on-site visits and utility information.

j. Contractor requirements

Energize NY requires each applicant to complete their own due diligence with respect to selecting all contractors. EIC states that it “is not responsible for determining the appropriate Consultant to perform the Qualified Energy Assessment and/or Renewable Energy System Feasibility Study . . . or for determining the appropriate Contractor to make the Improvements. The Program is a financing program only.”

k. Supporting local government legislation/ordinances

The enabling legislation for the Energize New York Program is New York State General Municipal Law, Article 5L, Section 119 EE, FF, GG.\(^96\) Municipalities opt-in to this program by joining the EIC and passing a municipal law enabling them to participate in the state program.\(^97\)

l. Transaction and legal costs

Transaction costs:
- Application processing fee, calculated as follows:
  - $100 for an approved Scope of Work of less than $25,000
  - $200 for an approved Scope of Work of $25,001 to $50,000
  - $300 for an approved Scope of Work of $50,001 to $75,000
  - $400 for an approved Scope of Work of $75,001 to $100,000
  - $500 for an approved Scope of Work of $100,001 to $500,000
  - $1000 for an approved Scope of Work of greater than $500,001
- Title Search fee
- Desktop appraisal fee (if applicable)\(^98\)

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\(^95\) The property owner may request multiple disbursements of funds.
\(^98\) Full appraisals completed within one year of the application submittal may qualify, subject to EIC review. Alternatively, EIC will provide a desktop appraisal for a fee (calculated based on location and property). If the loan-to-value ratio is less than 70% of the appraised value of the Property, a desktop appraisal is sufficient. However, if
• Appraisal fee (if applicable)
• Financing costs (varies by building):
  o ____% Interest rate on Disbursement Amount
  o $_______ Interest cost on Disbursement Amount
  o ____% Additional EIC administrative fee on Disbursement Amount

Legal costs:
• This information is not available

m. Marketing and outreach

• Marketing is focused primarily on contractor education
• Municipalities are responsible for any additional marketing and outreach

XI. Conclusion

As evidenced by this survey, the details of C-PACE programs across the country vary widely and have seen varying levels of success. It is difficult to determine the factors that foster or thwart a program’s success, but what is clear is that the details must be tailored to the particular needs of the state and/or municipality. Because a successful C-PACE program has the potential to positively impact the property owner, the property, the state, the municipality, the workforce, and the community as a whole, every effort must be taken to make the program as user friendly and widely available as possible, and to market the program to a broad audience.

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the loan-to-value ratio is equal to or in excess of 70%, a full appraisal is required for a fee. All appraisals must be prepared by an Appraisers Institute approved appraiser.