



## **ELEMENTS OF A WELL-DESIGNED C-PACE STATUTE AND PROGRAM**

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[www.c-pacealliance.com](http://www.c-pacealliance.com)

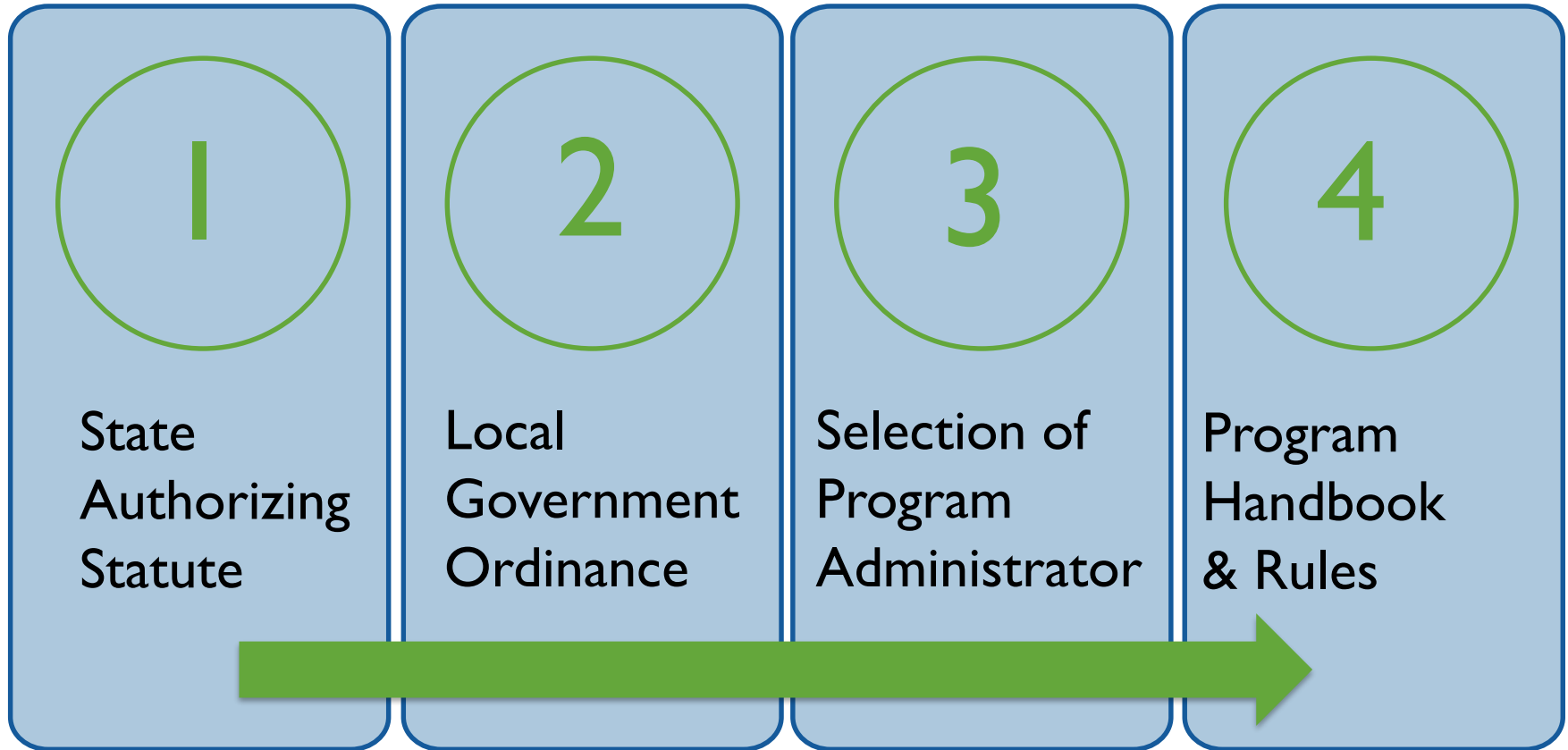
**A coalition of capital providers and transaction experts committed to achieving the public benefits of C-PACE by increasing the throughput of quality C-PACE financings.**

1. Technical assistance to programs
2. Thought leadership (best practices, white papers)
3. Develop / support Program Administration models



# Steps in Implementing a C-PACE Program

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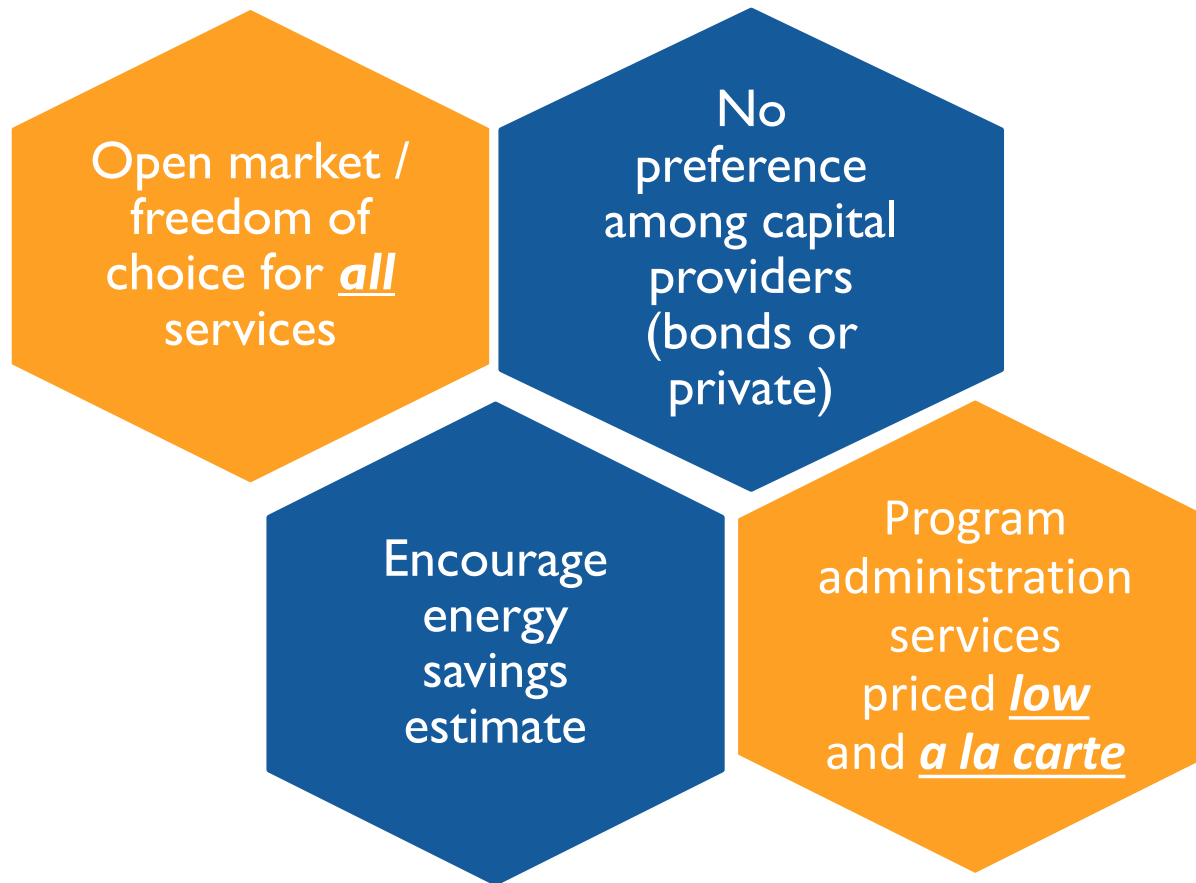


See white paper at [www.c-pacealliance.com](http://www.c-pacealliance.com)

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# Elements in the Statute or Local Ordinance

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## Statewide Consistency

Ideally, encourages consistency via a statewide program that local government may opt into. Possibilities:

- Formal joint powers agreement w/ single PA.
- Informal critical mass of local governments w/ model ordinances and documents.
- Multiple PAs admitted as a group.

## Replicability

The PA and policymakers should develop turn-key program (with documents available on its website) that other counties and municipalities can adopt.

# Elements in the Statute or Local Ordinance

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## Strong Credit Security

First and prior  
lien on the real  
property



Effective *as of  
the funding of a  
project*, prior to  
any construction  
period.



May be enforced  
by the local  
government in  
the same manner  
as a tax lien  
against real  
property



# Elements in the Statute or Local Ordinance

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## Mandatory Approval by Mortgage Holder

Consent or acknowledgement, with:

- a description of the financing
- a certification that it does not create an event of default under the mortgage.

Simply giving notice of the financing to senior mortgage holders is not advisable.

## Why?

- Protects owner from mortgage default.
- Validates creditworthiness.
- Respects banks and avoids industry-level opposition.
- Lower cost of funds ultimately.

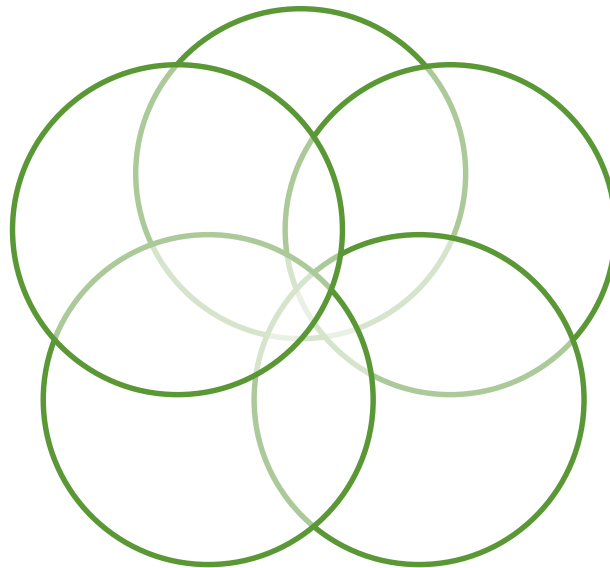
# Elements in the Statute or Local Ordinance

## Minimum Savings-to-Investment (SIR) Test

Overlooks benefits of resiliency, code compliance, healthier work environments, strategic benefits and tenant retention.

When energy prices are low, an SIR test becomes more difficult.

Adds complexity, time and cost.



For new construction, the energy savings over a hypothetical baseline may not cover the cost of improvements.

If required, “savings” should be a comprehensive and inclusive.



# Elements in the Statute or Local Ordinance

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## Flexibility in Financing Terms

- Term should match the life of the equipment, up to 30 years.
- Include the cost of materials and labor, fees, interest reserves, and all other costs pursuant to the financing and the project.
- Refrain from specifying *financial underwriting* parameters.
- Include renewable energy power purchase agreements or leases as eligible.

# Best Practices in *Program Administration*

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## Clarity of Roles

Program Administrator	Capital Providers
Coordinate the design of program rules	Cultivate financing opportunities and provide capital at competitive rates
Certify projects predictably and efficiently	Underwrite projects consistently and efficiently
Manage and promote the program	Coordinate with PAs in the approval, closing and collection process

# Best Practices in *Program Administration*

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**Billing:** Identifies the government official and tax assessor who collects assessments without personal liability. Alternatively, allows the Capital Provider to bill and collect from the Owner directly.

**Partial payment of property taxes:** Not permitted unless it is a voluntary prepayment.

**Clear rules on handling of funds:** Ensure that funds will not be lost, stolen or displaced. If not direct-billed by CP, payments should be made into a controlled lock-box, with a third-party firm ensuring proper flow-through of payments.

# Best Practices in *Program Administration*

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## Billing & Collecting



County performs the billing/collecting along with ordinary property taxes. Enforcement by county pursuant to clear rules.



Remittance period: The time from receipt of tax payments to payment of CP should be minimized (<30 days) and reliable.



Billing/servicing not performed by CP or county should involve strong institution with full disclosure of contracts including clear rules of default and remedies.

# Best Practices in *Program Administration*

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## Procedures for Delinquencies and Foreclosures

Capital providers expect clarity on:

- curing delinquencies;
- the foreclosure (or tax certificate sale) process to enforce the assessment with minimal delay.

**Allows the right to pursue remedies to be assigned to the Capital Provider.**

**Publish a program handbook describing the collection and foreclosure processes and timelines**

# Best Practices in *Program Administration*

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## Program Administration Fees

- Should be reasonable considering the size and maturity of the market.
- High fees discourage property owners.
- Successful programs operate with low administration fees, capped per-transaction (One percent or less, with per-transaction caps of <\$75,000).
- Annual service charges should be discouraged or absolutely minimal.
- PAs typically need financial support to cover staff costs until the transaction volume is sufficient to offset these expenses.

# Marketing, Education & Training

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C-PACE Alliance recommends a modest marketing budget in order to keep fees as low as possible.

**Message:** C-PACE is an *financing tool* that promotes the adoption of renewable energy and efficiency projects

MARKETING:  
General  
Awareness of  
C-PACE

EDUCATION:  
Seminars, panels  
and public  
speaking

TRAINING:  
energy savings  
analysts or  
project  
developers who  
attended a  
session



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# Appendix: What are our common goals?

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- Energy efficiency and more renewable energy
- Public interest improvements: seismic retrofits, storm resiliency measures, and water efficiency
- Transparency and simplicity
- Long-term, lower-cost financing
- Local economic development
- High usage of C-PACE

# Appendix: Goals Core Principles

1. Engage stakeholders and consider best practices

2. Continuously collaborate on design

3. Encourage open markets and freedom of choice for all services

4. Policymakers should support and guide local governments: consistency matters!

5. Converge toward standards, especially for the creation of a secondary market



# Appendix: Best Practices in *Program Administration*

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## Drafting Documents



Create program documents in collaboration with capital providers.

Create a standard form assessment contract that defines method to collect assessments..

Allow capital providers to tailor their financing documents.

# Appendix

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## **Certification of Project Compliance:**

The PA or the local unit of government should provide a written statement on request that the C-PACE financing for a particular property meets the program requirements.

# Appendix

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## **Underwriting by Capital Providers:**

Allows Capital Providers to perform the financial underwriting to confirm the Property Owner's ability to repay the assessments. PAs should not do any financial underwriting, because it duplicates the Capital Providers' work with no marginal benefit.

# Appendix

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## Efficient Closing Process:

Predictable, transparent and efficient. The closing process must also be in a proper order for Capital Providers, for example, the tax assessment must be in place before (or contemporaneously with) the project's funding.

Most Capital Providers transfer the C-PACE financing to a secondary institutional investor after closing, so a smooth transfer process is also important.

## Appendix

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**Property Owner's Satisfaction with the Work of Third Parties:** A program should acknowledge that Property Owners are solely responsible for the selection of contractors and any other third parties involved in completing their projects.

**Continuous Improvement:** Periodically review the process to submit applications, determine program eligibility, and obtain approvals. Contracts with PAs should specify acceptable service levels.