



CPACE
COMMERCIAL PROPERTY
ASSESSED CLEAN ENERGY

USER GUIDE

VERSION 1.0
April 25, 2018

A program of:



Administered by:



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OVERVIEW

HOW TO USE THIS GUIDE

This guide is intended to inform all parties involved in a commercial property assessed clean energy (C-PACE) program—including building owners, commercial real estate developers, energy efficiency and renewable energy contractors, mortgage holders, capital providers, and the community—how Arlington C-PACE works. The first four sections cover the program in detail, including benefits and eligibility requirements.

PROGRAM OVERVIEW

Arlington C-PACE is a county-sponsored program that helps building owners in Arlington County access private-sector financing for the installation of energy efficiency, water efficiency, and renewable energy improvements to increase the value of their buildings. Spearheaded by the team at the [Arlington Initiative to Rethink Energy](#) (AIRE), Arlington C-PACE will advance several public policy goals as described in Arlington’s award-winning Community Energy Plan. These goals include reducing energy and water costs, increasing renewable energy deployment, reducing greenhouse gas emissions, and creating local jobs.

More than 30 states, including Virginia, have passed legislation enabling C-PACE. On November 18, 2017, in accordance with the Commonwealth’s [clean energy financing law](#), the Arlington County Board adopted an [ordinance](#) that established the first C-PACE program in Virginia. The program can be used to finance both existing building retrofits and new construction projects.

PROGRAM BENEFITS

Arlington C-PACE offers multiple benefits to a broad range of stakeholders, including building owners and developers, contractors, capital providers, mortgage holders, and communities.

Building Owners

Arlington C-PACE helps building owners reduce their operating costs, improve the value and market competitiveness of their asset, meet energy performance goals, and increase the cash flow from their building. Arlington C-PACE does this in several ways:

Up to 100% Financing

Many owners lack the capital they need to pay for beneficial energy improvements. Arlington C-PACE solves this problem by providing up to 100 percent, long-term (up to 25 years) financing for eligible energy improvements. Audit, construction, and financing costs can be included in the financing.

Long-term Financing

While commercial real estate lenders typically provide five to 10-year financing, the longer-term (up to 25 years), fully amortized nature of C-PACE financing allows building owners to pursue more capital-intensive, comprehensive energy upgrades. The maximum term is set at the weighted average useful life of the improvements. The energy cost savings that result from the improvements will cover all or a portion of the assessment payments.

No Personal Guarantee

Arlington C-PACE is property-based financing secured by a special assessment (lien) against the property. As a result, the owner is not required to sign a personal guarantee.

Transfers Upon Sale

Property owners who sell their building before the special assessment is repaid have the option to transfer the repayment obligation to the next owner.

Cost Recovery

Arlington C-PACE may help solve the split incentive or misalignment of incentives that arises between owners and tenants. Owners are less likely to undertake comprehensive energy improvements when their tenants receive the financial benefits in the form of lower utility bills. Under some leases, the Arlington C-PACE structure may enable an owner to pass the special assessment on to the tenants, potentially solving the split incentive. Property owners are encouraged to consult with their attorney or accountant on this matter.

Developers

Developers or owners can use C-PACE financing to reduce their owner equity contribution or other types of financing, such as high-cost mezzanine financing. With C-PACE, developers and owners can access up to 20 percent of their total eligible construction cost, provided they design the new building to exceed the current energy code by at least 15 percent.

Contractors

C-PACE enables a property owner to access up to 100 percent financing for the hard and soft costs related to C-PACE improvements. Finance terms (up to 25 years) are based on the weighted average useful life of the improvements, thereby making energy efficiency and renewable energy improvements affordable. This means contractors can close more projects and expand their business.

Capital Providers

C-PACE investments are secured by a special assessment lien. The C-PACE special assessment lien has the same priority status as a real property tax lien, except that such lien shall have

priority over any previously recorded mortgage or deed of trust lien on the property only if a written consent agreement is executed by the holder of each such previously recorded lien. As a result, qualified capital providers, i.e. lenders, who work with the C-PACE program receive attractive, finance-ready projects.

Mortgage Holders

Arlington C-PACE encourages projects that generate energy cost savings that exceed the repayment obligation of the project. Such projects typically result in a building that is likely to see increased net operating income, increased debt coverage ratio, increased value, and a higher return on investment.

In most C-PACE projects, the existing mortgage holder's loan is more secure due to their borrowers' increased cash flow, and the property is more attractive to current and potential tenants and buyers. In addition, the assessment does not accelerate. In the event of a default, only the amount of the assessment in arrears is due.

[View a list of financial institutions that have granted consent to C-PACE](#) projects across the country.

Communities

The Arlington C-PACE program will encourage local job growth, improved building stock, and reduced greenhouse gas emissions—all financed with private capital, and not taxpayer dollars.

KEY PARTIES TO A C-PACE TRANSACTION

There are multiple parties to an Arlington C-PACE transaction; each plays a distinct role in the process. They include:

| | |
|------------------------------|--|
| Property Owner | The legal owner of the eligible property upon which the eligible improvements will be installed. |
| Program Administrator | SRS is the program administrator and, in collaboration with AIRE, promotes and manages the program. The program administrator enrolls contractors and capital providers; determines the eligibility of individual projects; helps owners secure mortgage holder consent; provides third-party quality assurance and validation that projected energy savings and financial projections were prepared using industry best practices; aggregates program data, and produces periodic program reports. |
| Capital Provider | Also referred to as lenders, capital providers must be qualified by the program prior to offering project financing. Capital providers are responsible for underwriting each C-PACE financing transaction to determine whether to invest in the project. If they choose to invest, the capital provider will enter into a Financing Agreement with the property owner. This document details the terms and conditions under which the investment will be made. The capital provider controls disbursements of the financing to reimburse the property owner for costs incurred in the installation/construction of the eligible improvements on the eligible property. The capital provider is also responsible for coordinating with the county to record the C-PACE special assessment lien in the land records of the county and assign the lien from the county to the capital provider. Moreover, the capital provider is responsible, subject to the terms of the Financing Agreement, for all billing, collection and enforcement duties. |
| Registered Contractor | A licensed contractor registered with the Arlington C-PACE program that performs the work required for the installation/construction of the energy improvements. |
| Energy Auditor | The entity that performs building energy audits that meet the requirements outlined in the Technical Standards section of this User Guide. |

KEY STEPS TO A C-PACE TRANSACTION

1. Application/Eligibility Determination

An interested property owner or a representative of the property owner must submit an [application](#) to the program administrator.

The program administrator will review the material and determine whether the property owner and project appear eligible for the Arlington C-PACE program and will then notify the applicant.

2. Energy Audit/Project Scoping

An energy audit/renewable energy feasibility study that complies with the requirements outlined in the Technical Standards section of this User Guide is required for all transactions. Completing the audit/study and developing the scope of work will likely be an iterative process. Depending upon how the overall project has been originated (contractor-driven, owner-driven, developer/consultant-driven), applicants may need assistance navigating this process. In such cases, they should contact the program administrator for assistance.

3. Mortgage Holder Notice/Consent

Arlington C-PACE requires that all holders of existing mortgage/deed of trust liens against the property be notified of the proposed C-PACE transaction and consent to the recording of the special assessment lien. The formal written consent must be received before the program administrator will authorize the closing of the transaction.

4. Underwriting/Approval

Within the parameters of the Arlington C-PACE guidelines, capital providers, also called lenders, establish the financing terms and conditions and financial underwriting standards, and make their own determination about whether to invest in a specific project. Once the underwriting process is complete, the capital provider will issue a conditional approval or financing commitment letter outlining the terms of the financing, including any conditions of closing.

A copy of the capital provider's approval letter, the final scope of work, construction contracts, mortgage holder consent letter, and any remaining application materials must be submitted to the program administrator for final review. Once the program administrator has determined that all statutory and program requirements have been met, it will issue a final determination of eligibility to the applicant with a copy to the capital provider.

5. Closing

Once all approval conditions have been met, documents will be prepared for closing the transaction. The building owner and the capital provider will enter into a Financing Agreement that contains the terms of the financing and the conditions and authorities under which the C-PACE special assessment will be governed.

6. Recording and Assignment

Once the program administrator has received the executed documents and confirmed that all closing conditions have been met, the capital provider will, on behalf of the county, record the special assessment lien in the land records of the county. Promptly thereafter, the capital provider, as authorized by the county for such purposes, will assign the lien from the county to the capital provider.

7. Construction/Disbursement

The capital provider is responsible for managing the disbursements of the C-PACE financing during construction per the terms of the Financing Agreement. The property owner should refer to that agreement to understand the capital provider's requirements for periodic inspections, progress payments, and change orders.

8. Construction Closeout

The property owner should review the Financing Agreement to determine the process the capital provider will require to close out the construction phase of the project and move it to the permanent financing stage. This process may include an amendment to the special assessment to account for any adjustments to the principal amount of the special assessment associated with capitalization of construction interest or any other cost adjustments incurred during construction of the project. If so, the capital provider will notify the program administrator, and record in the land records of the county a Confirmation and Amendment of Special Assessment Lien. Any adjustments to the payment schedule must fully amortize the amount financed over the remaining terms of the agreement.

9. Servicing/Repayment

Loans granted under the C-PACE program are repaid to the capital provider by the property owner through periodic assessment payments as described in the Financing Agreement. The capital provider is responsible for managing the ongoing billing, collections, and enforcement process.

Who to Contact

Program Manager

Rich Dooley, AICP
Community Energy Coordinator
Arlington Initiative to Rethink Energy (AIRE)
Arlington County Department of Environmental Services
2100 Clarendon Blvd., Suite 705
Arlington, VA 22201
703.228.3532
Rdooley@arlingtonva.us

Program Administrator

Scott Dicke
Director, C-PACE Program
Sustainable Real Estate Solutions
703.344.6432
SDicke@PACEworx.com

PROGRAM ADMINISTRATION

PROGRAM ADMINISTRATION

[Sustainable Real Estate Solutions](#) (SRS) administers the Arlington C-PACE program. The technology-enabled services company was selected through a competitive bid process based on its C-PACE-related experience in programs nationwide.

PROGRAM REQUIREMENTS

This section outlines the guidelines that govern all participants in the Arlington C-PACE program. All participants agree to adhere to the terms and conditions of the program requirements.

| | |
|---------------------------|--|
| Service Area | Arlington County, Virginia |
| Eligible Property | Eligible property located within the county as defined in the Appendix |
| Size Thresholds | Projects can range in size from \$50,000 to \$25,000,000. |
| Eligible Applicant | An owner of eligible property |
| Security | The financing is evidenced by a Financing Agreement and is secured by a special assessment that is recorded in the county land records against the eligible property. The special assessment lien has the same priority status as a real property tax lien, except that such lien shall have priority over any previously recorded mortgage or deed of trust lien on the property only if a written consent agreement is executed by the holder of each such previously recorded lien. |
| Credit Standards | The property owner must be current and in good standing on all debt owed to Arlington County; current on all real property taxes; have no outstanding involuntary liens, collections, or charge-offs; be current on existing mortgages, and may not be in, or have filed for, bankruptcy in the past three years. In addition, the property owner's title to the eligible property must not be in dispute. |
| Eligible Uses | Eligible uses include payment of the cost of energy audits, the cost of energy improvements to eligible property, the cost of non-energy improvements that are directly related to the installation of energy improvements (for example, the cost of a roof replacement to support a roof-mounted solar PV installation), commissioning, closing fees, and other Arlington C-PACE program costs. |
| Lien-to-value | Maximum of 30 percent of the after-completed value of the property |

- Appraisal Requirement** The property value for lien-to-value (LiTV) purposes will first be determined by reviewing the real market value as determined by the assessor. If the project performs within the LiTV limitations, this value will be adequate for underwriting purposes. If the LiTV limits are exceeded using the assessor's real market value, a current appraisal may be required. This requirement will be influenced by the needs of existing mortgage holders that must consent to the filing of the special assessment lien. In the case of new construction, a current appraisal is required.
- Maximum Term** The maximum finance term is based on the weighted average useful life of approved energy and water improvements as determined by the program administrator after review of the energy audit/feasibility study.
- Amortization** The C-PACE financing is fully amortized over its term.
- Payment and Servicing** Ongoing billing and collections process management is the responsibility of the capital provider.
- Evidence of Ownership** A title report is required prior to closing to show evidence of ownership and all encumbrances recorded against the property.
- Mortgage Holder Consent** Where there is an existing mortgage or deed of trust recorded against the property, the mortgage holder must be given written notification that the property owner intends to enter into a C-PACE financing agreement, which cannot proceed without the written consent of the mortgage holder. The agreement confirms that the proposed C-PACE financing does not constitute an event of default under the terms of existing agreements between the property owner and the mortgage holder.

PARTICIPATION IN REBATE/INCENTIVE PROGRAMS

Although not required, the Arlington C-PACE program encourages property owners to pursue all available federal investment tax credits, utility rebates, and incentive programs. Rebates and incentive programs provide participants with cash payments or tax credits for implementing energy and water improvements, thereby reducing overall project costs and the total amount the owner will need to finance. Rebate and incentive programs can also act as a third-party check on the validity of the proposed energy improvements and the projected energy savings, thus reducing additional project review costs.

PROGRAM PARTICIPATION FEE

The Arlington C-PACE program will be self-financed through program fees charged to participating property owners. These fees cover the start-up and recurring costs of designing and administering the program.

A one-time program administration fee, equal to 2.5 percent of the project finance amount, not to exceed \$75,000 per project, is applied to each financed project. This fee is collected by the capital provider at loan closing, and remitted to the program administrator within 10 days of the closing.

ELIGIBILITY (PROPERTY AND PROJECT)

ELIGIBLE PROPERTIES

Properties eligible for Arlington C-PACE financing must meet six requirements. They must:

- Be located in Arlington County
- Have one of the following uses:
 - commercial
 - industrial
 - agricultural
 - nonprofit (e.g. houses of worship, private educational institutions)
 - multifamily with five or more units (condominium buildings are not eligible)
- Be current on property taxes and municipal assessments
- Be current on all loans secured by a mortgage or deed of trust
- Not be insolvent or subject to bankruptcy proceedings
- Not be in dispute of title to the property

New construction is also eligible. See requirements on the next page.

ELIGIBLE IMPROVEMENTS

Improvements that are eligible for C-PACE financing must:

- Lower the building's energy and/or water consumption and/or generate renewable energy
- Be permanently affixed to the property

Examples include, but are not limited to:

- Automated building controls (BMS, EMS)
- Boilers, chillers, and furnaces
- Building envelope (insulation, glazing, windows, etc.)
- High-efficiency lighting
- Hot water systems
- HVAC upgrades
- Roof replacement that improves energy efficiency (reflective/cool roof, enhanced insulation, etc.)
- Variable speed drives on motors, pumps, and fans
- Combined heat and power (CHP) systems
- Fuel cells
- Geothermal systems
- Hydroelectric systems
- Small wind systems

- Solar PV (roof upgrade/replacement for rooftop systems is also eligible)
- Solar thermal
- Irrigation systems that improve water efficiency
- Water efficient fixtures (low-flow faucets, toilets, etc.)

In addition, the cost of improvements that are directly related to the installation of eligible improvements are eligible to be included in the financing, e.g. roof upgrades to support a roof-mounted solar PV installation.

This list is not all-inclusive and is expected to change over time. If a proposed improvement or expense is not on this list, contact the program administrator with a description of the improvement or expense for consideration.

NEW CONSTRUCTION

In addition to existing building retrofits, C-PACE provides a compelling financing opportunity for new construction projects in Arlington County. The C-PACE financing structure can unlock capital to enable a property owner or developer to achieve higher building performance—improvements that are often “value engineered” out of a project—and may also reduce the developer’s equity contribution or other types of financing such as high-cost mezzanine financing.

Applicants are required to provide total project construction cost by trade component so the program administrator can evaluate the total eligible construction cost (TECC). Applicants are also required to confirm that the building will be designed to exceed the current energy code, i.e., IECC 2012/ASHRAE 90.1-2010 (as of June 2017), using modeling such as EnergyPlus™.

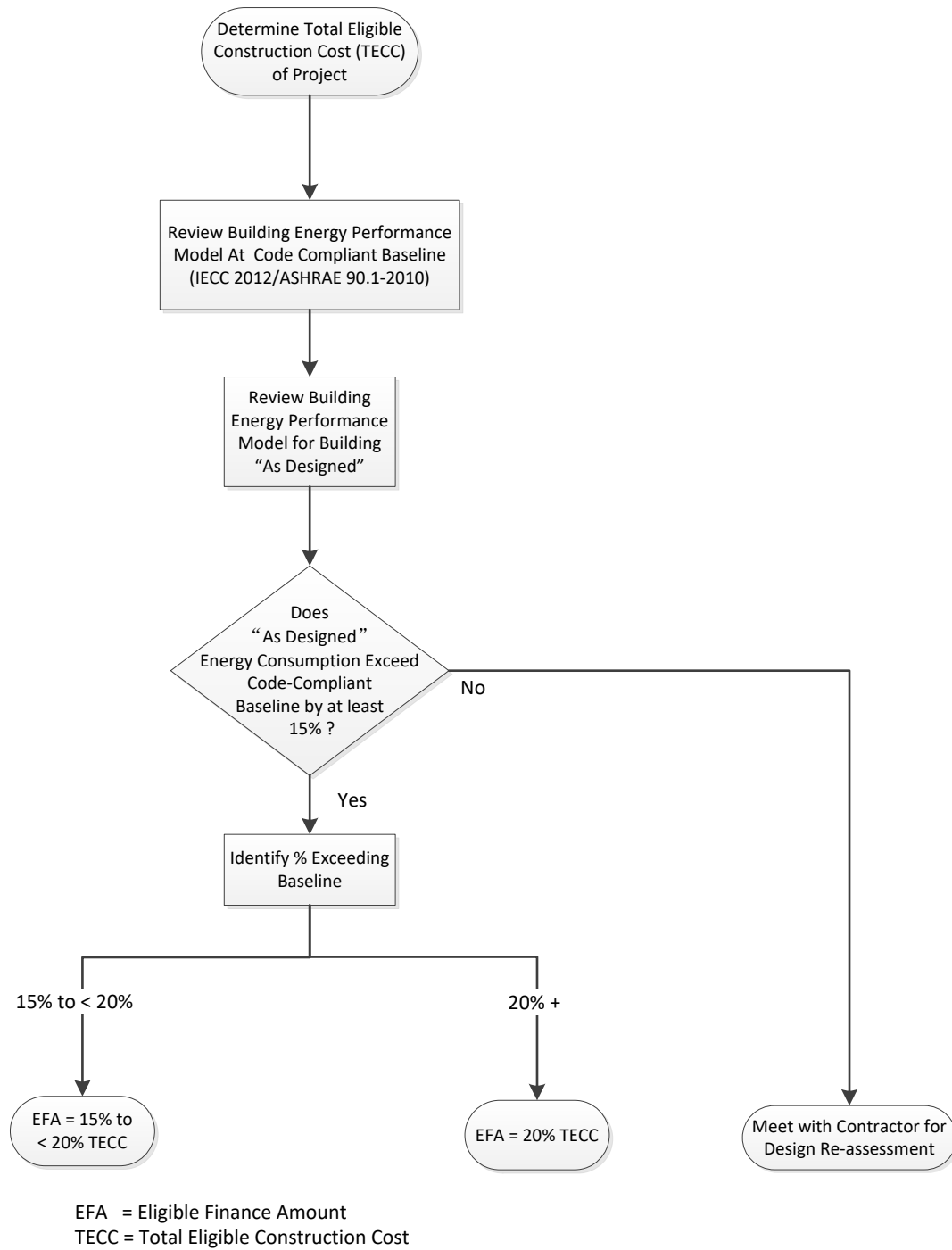
The C-PACE finance amount will depend upon whether IECC 2012/ASHRAE 90.1-2010 is exceeded by at least 15 percent. A new construction project will be eligible for C-PACE financing: (1) at 15 to 19 percent of the TECC if the code is exceeded by 15 to 19 percent (exceed the code by 15 percent to qualify for 15 percent of the TECC, 16 percent to qualify for 16 percent, etc. up to 19 percent). (2) at 20 percent of the TECC if the code is exceeded by 20 percent or more. The maximum C-PACE finance amount will not exceed 20 percent of the TECC.

Once an application is received, the Arlington C-PACE program administrator will coordinate with the project developer, property owner, utility, engineering/construction firm and/or energy modeling firm, depending on how the project will proceed. The purpose of this coordination is to understand the project, review requirements (particularly with respect to building energy simulation modeling), and ensure consistency with potential utility incentives.

If the design is to include a renewable energy system such as solar PV, the solar PV system’s impact on building energy performance is excluded from the energy savings analysis. Such systems will be evaluated separately by the program administrator and the total installed cost added to the eligible C-PACE financing amount determined solely by reviewing performance against the current energy code.

The program administrator will determine the maximum C-PACE finance amount for each project. A flowchart of the new construction methodology is presented on the next page.

NEW CONSTRUCTION METHODOLOGY



PROJECT TECHNICAL STANDARDS AND REVIEW

AUDIT REQUIREMENTS

As a condition of financing energy and water efficiency projects, Arlington C-PACE encourages the performance of an energy audit, water audit, or other analysis that assesses the expected energy and/or water cost savings of the improvements over their useful life.

Arlington C-PACE encourages, at a minimum, an ASHRAE Level I audit or comparable analysis. Audits may be waived for single-measure projects involving like-for-like equipment replacements if the application demonstrates that newly installed equipment has been properly commissioned.

For all renewable energy improvements, the applicant must submit a Renewable Energy Feasibility Study (REFS). The REFS provides technology and financing recommendations that a property owner or project developer should pursue. Ultimately, the REFS must provide enough information for the property owner or project developer and design team to make informed decisions about the types of technologies to include in the final project design.

Project applicants are responsible for all costs and fees incurred to complete the C-PACE program application, including costs associated with an audit and/or a REFS. While such costs are typically included in the project financing, in cases where the project does not move forward, the applicant will be responsible for any payments due to contractors or other third parties engaged by the owner, where applicable.

Note that the REFS should be performed by an experienced renewable energy professional with detailed knowledge of the renewable energy system under consideration, including technical and design issues, resource assessment, relevant policies and incentives, utility tariffs and interconnections issues, other evaluations (where necessary), and project funding mechanisms.

ENERGY SAVINGS REQUIREMENTS

In Arlington C-PACE, energy and water improvements may be financed provided they generate utility cost savings. Unlike some other commercial PACE programs, there is no statutory requirement that the projects generate positive cash flow based on energy savings. While the C-PACE statute does not require any demonstration of the savings-to-investment ratio (SIR), Arlington County encourages property owners to bring forward projects with SIRs greater than 1.0 because:

- Capital providers look favorably on projects that show positive cash flow over their lifetime
- Mortgage holders are more likely to consent to the imposition of the senior C-PACE lien for projects that show positive cash flow

- In general, the higher the SIR, the greater the demonstrated environmental benefits of the project, which helps to promote the goals of the C-PACE program as established by the C-PACE ordinance.

The SIR is calculated as the ratio of the total projected energy and water utility cost savings over the effective useful life of each improvement, divided by the total cost of those improvements, including all fees and interest charges.

For new construction, the energy savings is calculated as the incremental energy savings gained above the determined minimum requirement (energy consumption at current building energy code) as specified in the new construction (developer) section of this document.

POST-CONSTRUCTION COMMISSIONING REQUIREMENTS

Arlington C-PACE requires that a post-construction commissioning report be provided by the contractor upon project completion. The post-construction commissioning report can be performed by either a third party or the party performing the original installation of funded measures. The report should contain, at a minimum:

- A statement that systems have been completed in accordance with the contract documents, and that the systems are performing as expected
- Identification and discussion of any substitutions, compromises, or variances between the final design intent, contract documents, and as-built conditions
- A description of the components and systems that exceed the owner's project requirements and those which do not meet the requirements and why
- A summary of all issues resolved and unresolved and any recommendations for resolution. In certain instances, namely for projects representing simple, single measure, or like-for-like replacements, the program administrator may grant a waiver that will be included in the post-construction commissioning report

BUILDING OWNER PARTICIPATION AND PROCESS

Arlington C-PACE is an innovative financing program that provides owners of commercial, industrial, and multifamily (with five or more units) properties with financing for the installation of energy and water efficiency improvements. By providing up to 100 percent, affordable, long-term financing for qualified improvements, the program helps building owners lower their operating costs and improve the value of their asset. Because it is strictly property-based, C-PACE requires no money down and no personal guarantee.

BENEFITS

Many building owners lack the capital they need to pay for energy improvements, which means many beneficial projects never get off the ground. The Arlington C-PACE program benefits building owners by allowing them to access affordable, long-term capital at competitive rates. Arlington C-PACE financing:

- Requires no upfront, out-of-pocket costs
- Provides long-term financing (up to 25 years)
- Requires no personal guarantees
- Lowers energy costs
- Generates positive cash flow
- Can transfer to the next owner if the building is sold

ELIGIBILITY

Anyone who owns a commercial, industrial, or multifamily building with five or more units located in Arlington County is eligible to participate in C-PACE financing. Owners of nonprofits, e.g., houses of worship and private schools and universities, are also eligible.

Note that a capital provider may request the following information to support their underwriting efforts:

- A copy of the most recent mortgage statement and appraisal
- The current year (year-to-date) income/expense statement for the property
- The previous two years' income/operating statements, statements of cash flows, and balance sheets for the property
- The previous two years' audited (if available) income/operating statements, statements of cash flows, and balance sheets (audited or reviewed, if available) for the tenants' business
- A table listing all tenants, their monthly (or annual) lease payments, the percentage of the building they occupy, and the end date of their existing leases
- The previous year's federal tax returns if the property is planning to claim the value of the federal Investment Tax Credit or MACRS depreciation.

PROCESS

To get started, building owners work with a contractor of their choice, who must be registered with the program, (or they can select one from the program's [directory](#)) to discuss the improvements that would benefit their building. Next, the building owner or the owner's agent submits an [application](#). Once the project has been reviewed for eligibility by the program administrator, the contractor and the program administrator work together to prepare a PACEworx™ Report, which will be shared with the building owner. This report will help the building owner decide whether the proposed project meets his or her needs. The report includes:

- Key assumptions that support the technical and financial analytics
- Costs of eligible improvements
- Projected energy and/or water use and cost savings
- Projected cash flows

The methodology used to develop the projections is based on the [Investor Confidence Project \(ICP\)](#) best practices protocol. No commitment is required until the building owner is satisfied with the project's technical and financial projections.

[View a list](#) of frequently asked questions.

NEW CONSTRUCTION DEVELOPER PARTICIPATION AND PROCESS

NEW CONSTRUCTION PROJECTS

New construction projects present another opportunity for C-PACE financing in Arlington County. The C-PACE financing structure can unlock capital to enable a property owner or developer to achieve higher building performance—improvements that are often value-engineered out of a project.

BENEFITS

Property owners and developers in Arlington County can use Arlington C-PACE to reduce either their owner equity contribution, the construction loan, or a portion of each that does not, in total, exceed 20 percent of the total project cost **provided** the new building is designed to exceed the current energy code by at least 15 percent.

ELIGIBILITY

Owners planning new commercial, industrial, multifamily residential (of five or more units), or nonprofits such as houses of worship, private schools and universities can take advantage of the Arlington New Construction C-PACE program. Such new construction projects must be designed to exceed the current energy code by at least 15 percent.

PROCESS

Once an [application](#) is received, the Arlington C-PACE program administrator will coordinate as needed with the project developer, property owner, engineering/construction firm, and/or energy modeling firm. The purpose of this coordination is to understand the project, review C-PACE requirements (particularly with respect to building energy simulation modeling), and ensure consistency with potential utility incentives.

Applicants are required to provide total project construction cost by trade component to allow the program administrator to evaluate the total eligible construction cost (TECC). The applicant will also be required to confirm that the building will be designed to exceed the current energy code by at least 15 percent. The current energy code serves as the baseline and the maximum C-PACE finance amount will depend upon the percentage the building energy consumption as designed exceeds this baseline. The maximum C-PACE finance amount cannot exceed 20 percent of the TECC.

[View a list](#) of frequently asked questions.

CONTRACTOR PARTICIPATION AND PROCESS

Arlington C-PACE is an innovative financing program that provides owners of commercial, industrial, and multifamily (with five or more units) property with financing for the installation of energy efficiency, water efficiency, and clean energy improvements. By providing up to 100 percent, affordable, long-term financing for qualified energy upgrades, the program helps building owners lower their operating costs and improve the value of their asset. Because it is strictly property-based, C-PACE requires no money down and no personal guarantee.

BENEFITS

Many building owners lack the capital they need to pay for beneficial energy improvements, which means many of the projects that contractors propose never get off the ground. The Arlington C-PACE program benefits contractors by helping them close more deals, including multi-measure projects that, without C-PACE, the owner would likely not be able to fund.

ELIGIBILITY

Any energy efficiency or renewable energy contracting firm that holds all applicable state and local licenses is eligible to become an Arlington C-PACE-registered contractor.

By establishing contractor enrollment criteria, Arlington C-PACE is not recommending or endorsing any specific contractor or warranting the reliability of any such installer.

HOW TO REGISTER

Registering as an Arlington C-PACE contractor is a simple, two-step process. First, a contractor must attend a half-day, no cost workshop to learn about the benefits of the Arlington C-PACE program, how it works, and how to access the free technical support services. (Visit the program website to see the [workshop schedule](#).) Next, the contractor must fill out and submit a short application, which the program administrator will use to verify that the contractor meets the program's requirements. To participate in the Arlington C-PACE program, the contractor must:

- Attend a training workshop
- Hold all applicable state and local licenses
- Apply to, and be approved by, the program administrator.

Once the program administrator confirms that the contractor is eligible to participate in Arlington C-PACE, the firm is notified and listed on the program's website.

Note that property owners can select the contractor of their choice, provided the contractor meets the Arlington C-PACE requirements.

Contractors who are not yet registered but who have projects they wish to propose for C-PACE financing should contact the program administrator, submit the project for pre-screening, and register for the next available contractor training event. Simultaneous registration and project pre-screening ensures that there are no delays to the project.

PROCESS

Once contractors are registered, they work with the program administrator to:

- Select and prequalify buildings
- Perform preliminary project scoping
- Prepare proposals and review them with the building owner
- Develop and optimize project scenarios
- Conduct project technical reviews
- Install energy improvements

Note that the methodology used to develop the project's technical and financial projections is based on the [Investor Confidence Project \(ICP\)](#) best practices protocol. No commitment is required until the building owner is satisfied with the projections.

TECHNICAL SUPPORT

Closing a C-PACE deal is often complex, because it requires the use of sophisticated technical and financial projections that require the participation of multiple stakeholders. For this reason, Arlington C-PACE-registered contractors receive technical support at no cost from the program administrator. Services include:

- Identifying projects that are suitable for C-PACE financing
- Prioritizing projects
- Preparing financial and savings calculations
- Attending meetings with building owners to explain the program benefits and technical calculations

[View a list](#) of frequently asked questions.

[View a directory](#) of Arlington C-PACE-registered contractors.

CAPITAL PROVIDER PARTICIPATION AND PROCESS

Arlington C-PACE is a voluntary financing program that enables building owners to modernize their commercial, industrial, or nonprofit building by installing energy efficiency measures. Funding is provided by qualified private capital providers (QCPs), also referred to as lenders.

BENEFITS

C-PACE is a secure investment. The investment is secured by a special assessment lien, which has the same priority status as a real property tax lien, except that the lien has priority over any previously recorded mortgage or deed of trust lien on the property. (A written consent agreement must be executed by the holder of each such previously recorded lien.) As a result, QCPs who work with the C-PACE program receive attractive, finance-ready projects.

ELIGIBILITY

Arlington C-PACE seeks to stimulate the market through an open-access-to-capital model. For this reason, Arlington C-PACE is open to all capital providers that meet the program's eligibility criteria, as described in the [Lender Application](#).

How to Qualify

To qualify as a capital provider for the Arlington C-PACE program, simply download, complete, and submit the [Lender Application](#). The approval process can take up to 10 business days. Once a capital provider is approved, the firm can choose to have its name and logo displayed on the Arlington C-PACE website for marketing purposes.

WAYS TO PARTICIPATE

Qualified capital providers can participate in Arlington C-PACE in two ways:

1. Work with building owners to underwrite projects and help them prepare their application for financing approval. **We encourage capital providers to become “qualified” with the program *prior* to submitting a project application.**
2. Collaborate with the program administrator to evaluate funding opportunities. (In some instances, building owners may apply for Arlington C-PACE without a pre-selected capital provider. In this case, the program administrator will review pre-approved projects with QCPs to determine your funding interest.)

The Arlington C-PACE program reserves the right to revoke the eligibility of any capital provider for any reason that the program administrator finds to be in violation of program's practices.

View a list of [frequently asked questions](#) or the [Capital Provider Directory](#).

MORTGAGE HOLDER PARTICIPATION AND PROCESS

Arlington C-PACE is an innovative, voluntary financing program that enables borrowers to modernize their building by installing energy and/or water system improvements funded with affordable, long-term financing.

BENEFITS

Building upgrades designed to conform with Arlington C-PACE standards may generate cost savings that will, over the finance term, equal or exceed the total finance cost. Owners of buildings that have been improved via a C-PACE project typically experience improved net operating income, increased asset value, and a positive return on their investment.

As a result of the building owner's increased cash flow, the mortgage holder's loan is more secure, and the property is more attractive to current and potential tenants and buyers. In addition, the assessment does not accelerate. In the event of a default, only the amount of the assessment in arrears is due.

Across the country, C-PACE has been embraced by more than 140 national, regional, and local mortgage holders. [View a list](#) of consenting mortgage holders.

PARTICIPATION

The Arlington C-PACE program provides 100 percent financing to owners of new and existing buildings located in Arlington County who are looking to modernize and improve the value of their commercial, industrial, nonprofit, or multifamily building. The financing, which is based on the estimated useful life of the improvements—up to 25 years—is secured by a special assessment lien, which is similar to a water or sewer district assessment that is recorded on the property.

The special assessment lien is senior to all commercial mortgages and deeds of trust, and is equal (*pari passu*) in priority to other special assessments on the property, and junior to general property tax liens. Because of this, the Arlington C-PACE program requires property owners to obtain the written consent of all holders of mortgages or deeds of trust on the property prior to securing C-PACE financing.

PROCESS

A borrower who wishes to pursue C-PACE financing will, in collaboration with the program administrator, seek a meeting with the mortgage holder. At the meeting, the owner and the program administrator will describe the program's requirements and answer the mortgage holder's questions. In addition, they will discuss the role of the program administrator's independent quality assurance technical review, which is used to validate the projected energy cost savings that are designed to finance the project over time.

Assuming all parties agree that a project is worth pursuing, the project will move to development and underwriting. As part of the underwriting process, the program administrator will prepare a PACEworx™ Report for the mortgage holder's review. This report will provide a summary of the project's key assumptions, financial metrics, and projected cash flows to facilitate the consent request.

[View a list](#) of frequently asked questions.

GENERAL TERMS AND PROVISIONS

TAXES

Property owners are solely responsible for any local, state, or federal tax consequences of their participation in the Arlington C-PACE program.

CHANGES IN THE PROGRAM TERMS; SEVERABILITY

Arlington C-PACE reserves the right to change this User Guide and the terms and provisions set forth within at any time without notice. The Financing Agreement executed between the property owner and the qualified capital provider establishes the property owner's rights. This guide is only a reference document.

DISCLOSURE OF PROPERTY OWNER INFORMATION

All property owner information is treated with care to protect the property owner's privacy and security. In addition to any disclosure requirements necessitated by applicable records law, property owners must agree to allow Arlington C-PACE to disclose personal/corporate information that it submits to third parties when such disclosure is essential to the conduct of Arlington C-PACE business or to provide services to the property owner.

Arlington C-PACE will not provide property owner information to third parties for telemarketing, e-mail, or direct mail solicitation.

RELEASES AND INDEMNIFICATION

By submitting an application, the property owner acknowledges that Arlington C-PACE was formed solely to help property owners in Arlington County finance eligible improvements. Arlington C-PACE is a financing program only, and is not responsible for the installed C-PACE-eligible improvements or their performance. Property owners are responsible for payment of the special assessment regardless of whether the products are properly installed or operate as expected.

APPENDIX

KEY DEFINITIONS

| | |
|------------------------------|--|
| Agency Sponsor | Arlington Initiative to Rethink Energy |
| Assessment Payments | The periodic repayments of the loan amount by the property owner, due and payable to the capital provider in such amounts and at such times as described in the Financing Agreement and the lien. |
| Assessor | The Arlington County Department of Real Estate Assessments |
| Capital Provider | The entity that will finance the eligible improvements. Also referred to as a “lender” |
| C-PACE Project | Eligible energy and/or water improvements made to eligible property, whether financed entirely by C-PACE or through incentives or other sources in combination with C-PACE financing |
| Eligible Property | Real estate located within Arlington County, whether existing, under construction, or to be constructed, except for residential dwellings with fewer than five dwelling units, and condominium projects as defined in the Program Guide . Note that the most recent assessed value of the property on which the proposed project will be situated, including the land and any buildings and other improvements thereon, must exceed \$250,000. |
| Eligible Improvements | Any improvement, construction, equipping, installation or modification of or to an eligible building, if designed to facilitate renewable energy production and distribution; increase energy efficiency, or increase water usage efficiency |
| Financing Agreement | The written agreement between a property owner and capital provider, i.e. lender, regarding matters related to the extension and repayment of a loan to finance a project |
| Lien | A voluntary special assessment recorded in the land records of the county against an eligible property to secure the repayment of the C-PACE financing |

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|------------------------------------|---|
| Program Administrator | The entity that supports the program sponsor in administering the program. In Arlington County, the program administrator is Sustainable Real Estate Solutions, Inc. (SRS) |
| Property Owner | The person or entity that holds title to the eligible property, together with its successors and permitted assigns, as further defined in the Financing Agreement |
| Registered Contractor | The licensed contractor, registered with the Arlington C-PACE program, that performs the work required for the installation/construction of the eligible improvements |
| Savings-to-investment Ratio | The total estimated (or projected) energy cost savings, as calculated in good faith/certified by the administrator, over the effective useful life of the eligible improvements, divided by the loan amount |

APPLICATION FORMS AND OTHER DOCUMENTS

All applicable Arlington C-PACE documents and forms can be found in the [resources section](#) of the [Arlington C-PACE program website](#).