

Frequently Asked Questions Commercial Property Assessed Clean Energy (C-PACE)



GOVERNOR'S OFFICE OF
ENERGY DEVELOPMENT

Advancing Utah's Energy Future

What is C-PACE?

Commercial Property Assessed Clean Energy, or C-PACE, is an innovative financing mechanism for energy efficiency and renewable energy improvements on commercial, industrial, agricultural properties or residential buildings with more than 4 rental units. It offers 100-percent financing for energy efficiency, renewable energy, battery storage, EV charging infrastructure, or water conservation projects with \$0 down for a term of up to 30 years (or the expected life of the improvement).

What is the C-PACE process?

Once a project is developed by the building owner and project developer, they must identify a capital provider and secure mortgage holder consent if there is an outstanding mortgage against the property.¹ C-PACE financing is then provided through a voluntary assessment placed on the property and an assessment bond issued by the local municipality for the value of the project.² The bond is purchased by a capital provider and the proceeds of the sale are used to pay for the project installation. The building owner then repays the financing through annual property taxes or an alternate agreement with the capital provider.

Why is mortgage holder consent required?

The C-PACE assessment is similar to a property tax assessment in that it is a senior lien. Thus, under the C-PACE statute, a building owner must obtain consent from the mortgage holder before they can complete the C-PACE project. However, it is important for mortgage holders to understand that only the annual payment, or payments in arrears, are senior to the mortgage, not the full amount of the C-PACE project. For example, a building owner has an annual payment of \$5,000 for a \$500,000 C-PACE project. The mortgage is only second to the \$5,000 payment, not the entire \$500,000 C-PACE project value.

¹ A list of capital providers and list of financial institutions willing to provide mortgage holder consent is available on the C-PACE page for building owners at energy.utah.gov/c-pace-building-owners/.

² The assessment is non-accelerating and transfers with the sale of the real property. The bond can include soft costs, such as development costs.

When was C-PACE enacted in Utah?

In 2013, C-PACE became a statewide tool to achieve energy efficiency and renewable energy goals in Utah as part of the Assessment Area Act. The statute is a part of Title 11, Chapter 42 of the Utah State Code. The statewide C-PACE program was formally established in 2014 and the first C-PACE project was completed in October 2015. We are excited to be a part of the state and national growth in C-PACE financing, which reached \$250 million for 700 buildings nationwide in 2016.

Who administers Utah's C-PACE program?

In Utah, municipalities place a voluntary assessment on the property and issue an assessment bond. The Governor's Office of Energy Development provides assistance to these municipalities through the statewide C-PACE program as the Program Administrator. Municipalities can opt-in to the statewide program to receive additional assistance from OED. Visit energy.utah.gov/c-pace-municipalities/ to learn more about the opt-in process and associated benefits.

Have any municipalities opted-in to the statewide C-PACE program?

Yes, Salt Lake City and Provo City.

How many C-PACE projects have been completed in Utah?

The first C-PACE project was completed in October 2015 at Hunt Electric headquarters. Hunt Electric expanded their commitment to renewable energy by installing a renewable energy system that makes their second office location a net positive electric building. This project was fully financed with the State of Utah's Commercial Property Assessed Clean Energy (C-PACE) Program. This was the first renewable energy project in Utah that used this type of financing. The project included a solar canopy to provide covered parking for employees and guests. In conjunction with the Microgrid, load shedding, and battery backup, this system allows for off-grid capabilities in the event of an emergency. Additionally, Hunt Electric incorporated four electric vehicle car charging stations that offer free charging capabilities for the community/public, fleet, and employees. Hunt Electric has been cash flow positive from day one, and expects to save approximately \$300,000 over the life of the project.

What is the typical size of a C-PACE project?

Although there is no statutory minimum or maximum for C-PACE projects, the average size of C-PACE projects nationally is between \$100,000 and \$300,000.

How long does the C-PACE financing process take?

A typical C-PACE financing process takes approximately 3-6 months to complete, given the number of stakeholders and levels of approval involved.

What makes PACE financing different from a typical construction or consumer loan?

C-PACE financing is unique because repayments are made via local property taxes and collected by municipalities. Without municipal involvement there is very little that separates "Property Assessed" Clean Energy from typical consumer loans.

How is the C-PACE bond backed?

The C-PACE bond is secured by the real property, not revenue or funds.

Are public buildings eligible for C-PACE financing?

Because C-PACE financing hinges on property tax assessment and repayment, public buildings are not eligible given that they do not pay property tax. Non-profit entities are eligible for C-PACE but they must obtain a tax identification number in order to repay the C-PACE assessment.

What benefit does PACE financing offer capital providers and lenders?

Capital providers have an avenue for business and revenue opportunity if they choose to be lender AND capital provider for the C-PACE project, and the building owner is better enabled to meet mortgage payments because C-PACE is designed to be cashflow positive from day 1, increasing available funds.

Why should I choose PACE financing over a typical construction loan or other private financing?

C-PACE is like a million dollar lottery ticket for a building owner, they just need to pick it up – it requires \$0 down, 100-percent financing for terms significantly longer than a standard construction loan. A long term C-PACE assessment (up to 30 years) affords the building owner a lower monthly payment as compared to a traditional construction loan (12-15 years) and building owners are cash flow positive from day one when projects are designed correctly to save money in excess of the annual payment.

How will a C-PACE assessment affect my accounting as a building owner?

C-PACE assessments are recorded as off-book and do not count against the building owner as debt.

Is C-PACE financing eligible for existing buildings and new construction?

Yes, although it is more common to use C-PACE financing on existing buildings. In other states, C-PACE financing has been used as part of the capital stack for a new construction project or as a form of equity. If you are considering using C-PACE to finance a new construction project, please contact the Governor's Office of Energy Development for assistance.

Is PACE financing available for residential properties?

No, Residential PACE has not been authorized in Utah as of 2016. Currently PACE financing is only eligible for commercial properties and multifamily housing with more than four rental units.

Where can I learn more about C-PACE in Utah?

The Governor's Office of Energy Development created a one-stop-shop for all of Utah's C-PACE resources. You can find this information at cpac.utah.gov. The website includes dedicated subpages for building owners, contractors, mortgage holders, and municipalities. PACEnation, a national C-PACE non-profit, also provides information, resources, and reports about C-PACE progress nationwide.