



# **ENERGIZE DELAWARE C-PACE**

COMMERCIAL PROPERTY ASSESSED CLEAN ENERGY

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## **PROGRAM GUIDE**

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## BACKGROUND

The Delaware Voluntary Clean Energy Financing Program based on property assessments or other local government assessments was added to the [Delaware Energy Act in 2018](#) and designates the Sustainable Energy Utility, Inc., a non-profit corporation established pursuant to Delaware statute (DESEU) as the statewide program administrator<sup>1</sup>. Such programs are generally known nationally as a “Commercial Property Assessed Clean Energy Program” or “C-PACE Program”, and in this Program Guide will be referred to as the “C-PACE Program”. The DESEU operates its various programs under the trade name: Energize Delaware. References in this guide to “program administrator” refer to Energize Delaware.

## HOW TO USE THIS GUIDE

This guide is intended to inform and guide all parties who participate in the C-PACE program. Interested parties include, but are not limited to, property owners, commercial real estate developers, energy efficiency and renewable energy contractors, mortgage holders, and third-party capital providers. This guide is for educational purposes only and does not constitute legal advice. Interested parties should consult with their own attorneys with respect to legal aspects of the C-PACE Program.

## PROGRAM OVERVIEW

C-PACE is a new program of Energize Delaware that is designed to help qualifying commercial property owners’ access private-sector financing for the installation of qualifying energy improvements. Such improvements may include any construction, renovation or retrofitting of energy efficient technology, clean energy systems, or qualifying waste heat recovery technologies that are permanently fixed to qualifying commercial real property.

C-PACE is a “win-win” program that, aside from lowering the utility expenses and increasing the value of improved properties, advances important public policy goals that include reducing energy and water costs, increasing renewable energy deployment, reducing greenhouse gas emissions, and creating local jobs.

## PARTICIPATING COUNTY

As defined by the 2018 Delaware Energy Act, “Participating County” means a county that has entered into a written agreement, as approved by its legislative body, with the C-PACE program pursuant to which the county has agreed to levy benefit assessments for qualifying energy improvements for benefited commercial property owners within such county and costs reasonably incurred in performing such duties.<sup>2</sup> The following Delaware counties are currently C-PACE program participants: [<list participating counties here>](#).

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<sup>1</sup> Delaware Energy Act: Delaware Code 29, Chapter 80, Subchapter II - §8061 (d).

<sup>2</sup> Delaware Energy Act §8061 (c) (9).

## HOW C-PACE WORKS

C-PACE enables owners of qualifying commercial, industrial, agricultural, nonprofit, and multifamily housing (containing five or more dwelling units) real property located in the State of Delaware to use private-sector money to finance qualifying energy improvements.

C-PACE is economically attractive because it offers (subject to approval by the applicable capital provider) up to 100 percent financing of qualifying energy improvements for existing building retrofit projects and up to 20 percent financing of qualifying energy improvements for new construction projects, with terms that extend up to 25 years (weighted average useful life of the improvements must be greater than the term of financing). In addition, since the financing is tied to the property, the owner is typically not required to sign a personal guarantee. Best of all, well-designed projects are often cash-flow positive, meaning the energy cost savings outweigh the C-PACE payments.

Banks, credit unions, and specialty private capital firms, also known as capital providers, finance C-PACE projects. Repayment is secured by a voluntary benefit assessment, similar to a sewer assessment, which is recorded against the property and billed as a separate line item on the annual property tax bill.

Multiple capital providers have registered with the C-PACE program to finance qualifying energy improvements. Property owners can select their preferred C-PACE-registered capital provider to fund their project at the time of project application submittal, or, at the request of a property owner, the program administrator can solicit financing term sheets from participating capital providers once the project eligibility review has been completed by the program administrator.

Capital providers and their project development partners are encouraged to develop projects for submission to the program administrator for approval. In such instances, the program administrator will not solicit financing terms from other capital providers, and will work solely with the originating capital provider or the capital provider designated by the project developer/property owner.

From start to finish, C-PACE projects can often be financed within 45 to 90 days.

## PROGRAM BENEFITS

C-PACE offers multiple benefits to a broad range of stakeholders. Beneficiaries include participating counties, property owners and developers, contractors, capital providers, and mortgage holders.

### Participating Counties

C-PACE projects result in local job growth, improved building stock, and reduced greenhouse gas emissions—all financed with private capital.

### Property Owners

C-PACE may help owners of commercial property (any real property other than a residential dwelling containing less than five dwelling units) 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. C-PACE does this in several ways:

<b>Up to 100% Financing</b>	While C-PACE financing can be attractive to all property owners, it is especially so for owners who lack the capital needed to pay for beneficial energy improvements. For such owners, C-PACE solves this problem by providing up to 100 percent, long-term financing for qualifying energy improvements (subject to approval by the applicable capital provider). Audit, feasibility study, construction, financing costs, and other project costs could be included in the financing.
<b>Long-term Financing</b>	Typically, commercial real estate lenders provide up to 10-year financing. The longer-term C-PACE financing (commensurate with the useful life of the improvements, typically 15-20 years) fully amortized over the term of financing allows property owners to pursue more capital-intensive, comprehensive energy improvements. The maximum financing term cannot be greater than the life of the improvements (as established by the statute <sup>3</sup> ).
<b>No Personal Guarantee</b>	C-PACE is property-based financing that is secured by a benefit assessment (lien) that is recorded against the property. As a result, the owner is typically not required to sign a personal guarantee.
<b>Transfers Upon Sale</b>	Property owners who sell their building before the benefit assessment is repaid have the option to transfer the repayment obligation to the next owner.
<b>Cost Recovery</b>	C-PACE may help solve the split incentive or misalignment of incentives that may arise 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 C-PACE structure may enable an owner to pass the benefit assessment on to the tenants, potentially solving the split incentive. Property owners are encouraged to consult with their attorney or accountant on this matter.

**New Construction Project Developers**

Developers or owners planning to construct a new building can use C-PACE financing to reduce their owner equity contribution or their need for other types of financing, such as 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 Delaware energy code (IECC 2012/ASHRAE 90.1-2010) by at least 10 percent.

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<sup>3</sup> Delaware Energy Act §8061 (d) (9) b.

### Contractors

C-PACE enables a property owner to access up to 100 percent long-term financing for the hard and soft costs related to qualifying energy improvements (subject to approval by the applicable capital provider). This long-term financing, which is based on the weighted average useful life of the improvements, can make energy efficiency and renewable energy improvements much more affordable. This means contractors can close more projects and expand their business.

### Capital Providers

C-PACE investments are secured by a benefit assessment lien on the property on which the qualifying energy improvements are made. The C-PACE benefit assessment lien is superior to any other liens except the lien for other property taxes and other governmental service assessments of the participating county and other municipalities and shares the same senior lien as other property taxes and governmental service assessments to the extent only of the amount of the C-PACE assessments, penalties and fees currently due and/or in arrears. Moreover, the intent of the language in the C-PACE legislation, in the event of a partial payment, default, foreclosure or monitions sale, is to ensure local government property taxes and governmental service assessments take priority so as to ensure local governments receive payments first (without allocation to C-PACE assessments until such governmental taxes and assessments are paid).<sup>4</sup> The C-PACE benefit assessment lien shall have priority over any previously recorded mortgage or deed of trust lien on the property, **but before the C-PACE financing is made a written consent agreement must be executed by the holder of each such previously recorded lien**. However, foreclosure of the C-PACE benefit assessment lien shall not have the effect of extinguishing any subordinate mortgage liens against the qualifying commercial real property.

Once such consent has been received, third-party capital providers, i.e. participating local banks or specialty lenders can bid on financially attractive, finance-ready projects. Such capital providers can also originate projects with building owners.

Property owners should note that the benefit assessment lien will be considered by future mortgage lenders, and may affect the terms and availability of future acquisition and refinancing mortgage loans secured by the property.

### Mortgage Holders

C-PACE projects reduce the energy cost of a building in order to qualify. To enhance the lien holder(s) approval process, C-PACE encourages projects that generate energy cost savings that exceed the repayment obligation of the project financing, i.e. saving-to-investment ratio greater than one (SIR>1). Such projects often 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.

From the mortgage holder's point of view, a completed C-PACE project has the following key benefits:

- the mortgage holder's loan is more easily repaid due to the borrower's increased cash flow
- the property is more attractive to current and potential tenants or buyers

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<sup>4</sup> Delaware Energy Act § 8061 (d) (6) a.

- the benefit assessment does not accelerate. In the event of a default, only the portion of the benefit assessment that is in arrears is due.

[View a list](#) of financial institutions that have granted consent to other commercial PACE projects in other parts of the country.

## KEY PARTIES TO A C-PACE TRANSACTION

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

<b>Property Owner</b>	The legal owner of the property upon which the qualifying energy improvements will be installed.
<b>Program Administrator</b>	Energize Delaware is the program administrator. At its option, Energize Delaware may retain a third-party to assist with program administration.
<b>County Tax Assessor</b>	For projects that have received C-PACE financing, the program administrator and the capital provider will co-ordinate with the county tax assessor to levy the C-PACE benefit assessment against the property. Notice of the benefit assessment lien established by such levy <sup>5</sup> shall be recorded in the Office of the Recorder of Deeds for the county by the attorney for the capital provider at the C-PACE financing closing. The lien will be assigned by Energize Delaware to the capital provider. The county is responsible, subject to the terms of the financing agreement, for the ongoing billing, collection and remittance to Energize Delaware duties. Energize Delaware, will remit to the capital provider amounts collected by the county within ten (10) calendar days after receipt of such collections from the county.
<b>Capital Provider</b>	<p>Banks or other specialty capital providers, who have registered to participate, can offer property owners C-PACE project financing. Capital providers provide financing directly to benefited property owners. The property owner, not the program administrator, is responsible for selecting the capital provider. Capital providers are responsible for underwriting each financing transaction to determine whether to invest in the project. Each project will be subject to third-party technical review by the program administrator.</p> <p>If a capital provider chooses to invest, it will enter into an assessment and 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</p>

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<sup>5</sup> Delaware Energy Act § 8061 (d) (6).

owner for costs incurred in the installation/construction of the qualifying energy improvements on the qualifying property.

**Registered Contractor**

Any contractor, auditor or developer licensed by the State of Delaware that performs the work required for the analysis, installation or construction of the qualifying energy improvements can be enrolled in the C-PACE program. The property owner, not the program administrator, is responsible for selecting the contractor, auditor or developer.

## KEY STEPS TO A C-PACE TRANSACTION

### 1. Application/Eligibility Determination

An interested property owner or a representative of the property owner must submit a C-PACE project application to the program administrator. Upon receipt, the program administrator will review the application and determine whether the property owner and project appear eligible for the 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 Project Technical Standards and Review section of this Program 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

C-PACE requires that all holders of existing properly recorded liens against the property be notified of the proposed C-PACE transaction and consent to the recording of the benefit assessment lien. The formal written consent must be received before the program administrator will authorize the closing of the transaction. The program administrator is available to support the property owner in the review of the C-PACE program requirements with the mortgage holder.

### 4. Underwriting/Approval

Within the parameters of these C-PACE guidelines, the capital provider will establish the financing terms and conditions and financial underwriting standards for a project. The capital provider will make its own determination as to whether an investment in a specific project is warranted. Once the underwriting process is complete, the capital provider will issue a conditional approval or financing commitment letter that outlines the terms of the financing, including any conditions of closing.

Conditions of closing for a financing will include, but may not be limited to, the consent of the mortgage holder (if any), that procedures for a benefit assessment lien recording have been established and that a schedule for timely repayment of the lien has been agreed to by the parties to the transaction.



A copy of the capital provider's approval letter, the final scope of work, construction contracts, mortgage holder consent letter, assessment and financing agreement and any outstanding application or project review documents 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**

Prior to the closing, the property owner and the capital provider will enter into an assessment and financing agreement that contains the terms of the financing, the fees to be paid to the program administrator and the conditions and authorities under which the C-PACE benefit assessment will be governed. The closing, which requires that all project approval conditions have been met, will be managed by the capital provider.

## **6. Benefit Assessment<sup>6</sup>**

The benefit assessment may cover up to 100% of project costs, including but not limited to, application fees, audits, feasibility studies, equipment, maintenance, labor, and other costs directly related to the project over the project's life; county benefit assessment fees and the C-PACE program costs. The benefit assessment may be neither extinguished nor accelerated in the event of default or bankruptcy; and shall be levied and collected as to assessment payments currently and past due in the same manner as the property assessments of the participating county government on real property; and shall not extinguish any superior liens, such as the lien for property taxes, and other governmental service assessments.

The benefit assessment may remain with the real property upon sale, including in the event of a foreclosure. In the event of default or delinquency, it may be pursued in the same manner as with other property assessments, including with respect to any penalties, fees and remedies and lien priorities; provided that a foreclosure sale brought with respect to C-PACE assessments shall not have the effect of extinguishing any subordinate mortgage liens against the qualifying commercial real property.

Notwithstanding any other provision of law: At the time of a transfer of property ownership including foreclosure, the past due balances of the benefit assessment shall be due for payment; but future benefit assessment payments shall continue as a lien on the property.

In the event of a foreclosure action, the past due balances due and payable shall include all payments on the benefit assessment that are due and unpaid as of the date the action is filed, and all payments on the assessment that become due after that date and that accrue up to and including the date on which title to the property is transferred to the mortgage holder, the lien holder, or a third-party in the foreclosure action. The person or entity acquiring title to the property in foreclosure shall be responsible for payments that become due after the date of such acquisition.

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<sup>6</sup> Delaware Energy Act §8061 (c) (1). "Benefit assessment" means a voluntary property assessment or other government service fee assessment, as authorized by this section, which is the mechanism through which a commercial property owner repays the financing for the qualifying energy improvements.

## **7. Recording and Assignment of Liens**

Once the program administrator has received the executed documents and confirmed that all closing conditions have been met, including the recording of the notice of benefit assessment lien in the Office of the Recorder of Deeds for the county, then, Energize Delaware will assign the lien to the capital provider. After confirmation, by the capital provider, of lien recording and assignment, financed funds may be disbursed in conjunction with the negotiated funds disbursement schedule.

## **8. Program Administration Fees**

The program administrator shall cause to be collected fees at the time of finance closing to help offset its costs and the county's costs associated with administering the program. These fees will include, but not be limited to costs for: program administration, including lien recording fees and a county fee for billing and collections over the term of the financing; third-party contractors working at the direction of the program administrator; feasibility studies; project monitoring, project commissioning oversight reports and studies that verify project results. See the Program Participation Fees section below for details.

## **9. Construction/Disbursement**

The capital provider is responsible for managing the disbursements of the C-PACE financing during construction per the terms of the assessment and 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.

## **10. Construction Closeout**

The property owner should review the assessment and 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 benefit assessment to account for any adjustments to the principal amount of the benefit 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.

## **11. Post-Construction Commissioning**

C-PACE legislation requires that the program administrator verify project results. To comply with that requirement a post-construction commissioning report shall be performed by the party performing the original installation of qualifying improvements or a third-party as agreed to in the project developer and property owner contract. 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.

Project developers are responsible for all costs incurred to complete the post-construction commissioning report. Such costs are eligible to be included in the project financing. The program administrator reserves the right to visit project sites to conduct post-construction commissioning oversight to verify the installation is in compliance with program guidelines.

## 12. Servicing/Repayment

Financing 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 county is responsible for managing the ongoing billing, collections, and remittance process.

## WHO TO CONTACT

### Program Administrator

Anthony (Tony) DePrima, Ph.D.  
 Energize Delaware Executive Director  
 Delaware Sustainable Energy Utility, Inc  
 500 West Loockerman Street, Suite 400, Dover, DE 19904  
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 Email: [tony.deprima@deseu.org](mailto:tony.deprima@deseu.org)

## PROGRAM ADMINISTRATION

Energize Delaware administers the C-PACE program. At its option, Energize Delaware may retain a third-party to assist with program administration.

## PROGRAM REQUIREMENTS

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

### Service Areas

Delaware counties that have adopted the C-PACE program

### Eligible Property

Properties eligible for C-PACE financing must be located in a county that has opted in to the C-PACE program and have one of the following uses:

- commercial
- industrial
- agricultural
- nonprofit (e.g. houses of worship, private educational institutions)

- multifamily housing with five or more dwelling units.

All properties must be current on property taxes and municipal assessments.

#### **Energy Audit / Feasibility Study**

An energy audit or feasibility analysis of the qualifying energy improvements on the qualifying commercial real property is required that assesses the expected energy cost savings over the useful life of such improvements. See the Project Technical Standards and Review, Audit Requirements section below for details.

#### **New Construction**

[New construction](#) is also eligible for C-PACE financing.

#### **Size Thresholds**

The minimum project construction cost is \$50,000. There is no maximum project value relative to property value set by the C-PACE program, however, capital providers typically set their maximum amount financed in the range of 20 to 35 percent of the value of the property.

#### **Eligible Applicant**

The owner of an [eligible property](#) that meets all the qualifications established by these guidelines.

#### **Security**

The financing is evidenced by the financing agreement and is secured by a benefit assessment lien established pursuant to the Delaware Energy Act, a notice of which is recorded in the Office of the Recorder of Deeds for the county against the qualifying commercial real property. The C-PACE benefit assessment lien is superior to any other liens except the lien for other property taxes and other governmental service assessments of the participating county and other municipalities and shares the same senior lien as other property taxes and governmental service assessments to the extent only of the amount of the C-PACE assessments, penalties and fees currently due and/or in arrears. Moreover, the intent of the language in the C-PACE legislation, in the event of a partial payment, default, foreclosure or monitions sale, is to ensure local government property taxes and governmental service assessments take priority so as to ensure local governments receive payments first (without allocation to C-PACE assessments until such governmental taxes and assessments are paid). The C-PACE benefit assessment lien shall have priority over any previously recorded mortgage or deed of trust lien on the property, ***but before the C-PACE financing is made a written consent agreement must be executed by the holder of each such previously recorded lien.*** However, foreclosure of the C-PACE benefit assessment lien shall not have the effect of extinguishing any subordinate mortgage liens against the qualifying commercial real property.

<b>Credit Standards</b>	The property owner must be current and in good standing on all debt owed to the county in which the property is located; current on all real property and school taxes and assessments; have no outstanding involuntary liens, collections, or charge-offs; be current on existing mortgages, and may not be in, or have filed for, bankruptcy proceedings; and title to the eligible property may not be in dispute.
<b>Eligible Uses</b>	Eligible uses include payment of the cost of energy audits, the cost of qualifying energy improvements to an 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 photovoltaic installation), commissioning, closing fees, and other C-PACE program costs.
<b>Lien-to-value</b>	The C-PACE program does not maintain a maximum lien-to-value underwriting requirement. However, C-PACE capital providers will require their maximum lien-to-value percentage, often in the range of 20 to 35 percent of the value of the property.
<b>Appraisal Requirement</b>	The C-PACE program does not maintain an appraisal requirement. However, C-PACE capital providers may require a third-party property value appraisal in certain scenarios. The preliminary property value for lien-to-value (LiTV) purposes is typically determined by reviewing the appraised value as determined by the tax assessor. If the project performs within the LiTV limitation, this value is typically adequate for capital provider underwriting purposes. If, when using the assessor's appraised value, the LiTV limit is exceeded, a current appraisal or as-built appraisal may be requested by the capital provider.
<b>Maximum and Minimum Term</b>	The maximum finance term is based on the weighted average useful life of qualifying energy improvements as determined by the program administrator after review of the energy audit/feasibility study, up to 25 years. The C-PACE program does not maintain a minimum project life or minimum finance term requirement. However, C-PACE capital providers will require their own minimum term, often in the range of 5 to 10 years.
<b>Payment and Servicing</b>	The ongoing C-PACE benefit assessment billing and collections process management is the responsibility of the county where the benefit assessment lien has been recorded. Billing will occur annually, in August, on the county's annual property tax bill. Annually, by June 15th, the program administrator will provide to participating counties information on the properties to be billed and the annual amounts to be billed and collected. Property owner payments are typically due by September 30th. The amount collected will be remitted to Energize Delaware by the 30th of the month following the month in which the C-PACE

benefit assessment payment was collected. Energize Delaware, will remit to the capital provider amounts collected by the county within ten (10) calendar days after receipt of such collections from the county. Late and non-payments will be pursued by the county in the same manner as with other property assessments, and property owners will be subject to the same applicable penalties, interest fees, and third-party collection agent fees.

**Evidence of Ownership** A title report is required prior to closing to show both evidence of ownership and all encumbrances recorded against the property.

**Mortgage Holder Consent** When 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 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 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.

## PROGRAM PARTICIPATION FEES

For projects that are financed, a one-time program administration and county servicing fee will be charged to each project by the program administrator at financing closing.

- Program administration fee: A one-time fee equal to 2.5 percent of the project finance amount, not to exceed \$75,000 per project, is applied to each financed project.
- County servicing fee: A one-time fixed fee, as defined in the following fee schedule, is applied to each financed project.

Benefit Assessment Finance Term (years)	One-Time County Servicing Fee (\$)
1 to 10	\$700
11 to 15	\$1,000
16 to 20	\$1,250
21 to 25	\$1,500

The fees and expenses of the capital provider may also be charged to the property owner at financing closing. These fees are typically included in the total financed amount and are due only if a project is successfully financed. Such fees shall be remitted by the capital provider to the program administrator and county respectively within 10 days of the closing. Project financing interest rates and any applicable capital provider closing fees will be set by the property owner's capital provider.

# Project Technical Standards and Review

## ELIGIBLE PROPERTIES & PROJECTS

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

- Be located in a county that has opted in to C-PACE
- Have one of the following uses:
  - commercial
  - industrial
  - agricultural
  - nonprofit (e.g. houses of worship, private educational institutions)
  - multifamily housing with five or more dwelling units
- Be current on property and school 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

Qualifying energy improvements that are eligible for C-PACE financing must:

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



In addition, the cost of improvements that are directly related to the installation of eligible improvements may be included in the financing, e.g. roof upgrades to support a roof-mounted solar photovoltaic 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 counties that have enrolled in C-PACE. This attractive 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. C-PACE new construction financing and may also reduce the developer’s equity contribution or the need for mezzanine financing or other types of new construction financing, thereby reducing the weighted average cost of capital.

Unlike retrofits to existing properties where the savings from qualifying energy improvements can be demonstrated by referencing pre-improvement baseline consumption data, new construction has no baseline against which to measure improvements.<sup>7</sup> Thus, the C-PACE program has designed a separate process for new construction projects.

To qualify, the applicant is required to provide total project construction cost by trade component so that the program administrator can evaluate the total eligible construction cost (TECC). The TECC includes all hard and soft costs associated with construction, and excludes the cost to purchase the land itself as well as any components that are not permanently attached<sup>8</sup> to the building.

Given the lack of a pre-improvement energy baseline against which to measure energy savings and the difficulty of isolating and assigning portions of the new construction costs to particular energy savings, the traditional methodology for existing building retrofit projects to compare projected savings against a baseline is not applicable. Therefore, an alternative method for new construction projects will apply for determining the amount of allowable C-PACE financing based upon the level of performance beyond code requirements the building is designed to achieve.

When applying for C-PACE financing for a new construction project the applicant must demonstrate using whole-building energy modeling that the As Designed Modeled Energy Performance will exceed the Code Compliant Modeled Energy Baseline. The existing Delaware energy code is IECC 2012/ASHRAE 90.1-2010. A minimum As Designed performance improvement of 10% over the Code Compliant Modeled Energy Baseline is required to be eligible for C-PACE financing. The C-PACE Eligible Finance Amount for a building that

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<sup>7</sup> This is also the case where an abandoned building is being rehabilitated or a building is being fundamentally repurposed. Consequently, such rehabilitation or repurposing can be treated the same as new construction for the purposes of C-PACE.

<sup>8</sup> Items such as shading devices, furniture, fire extinguishers, etc.

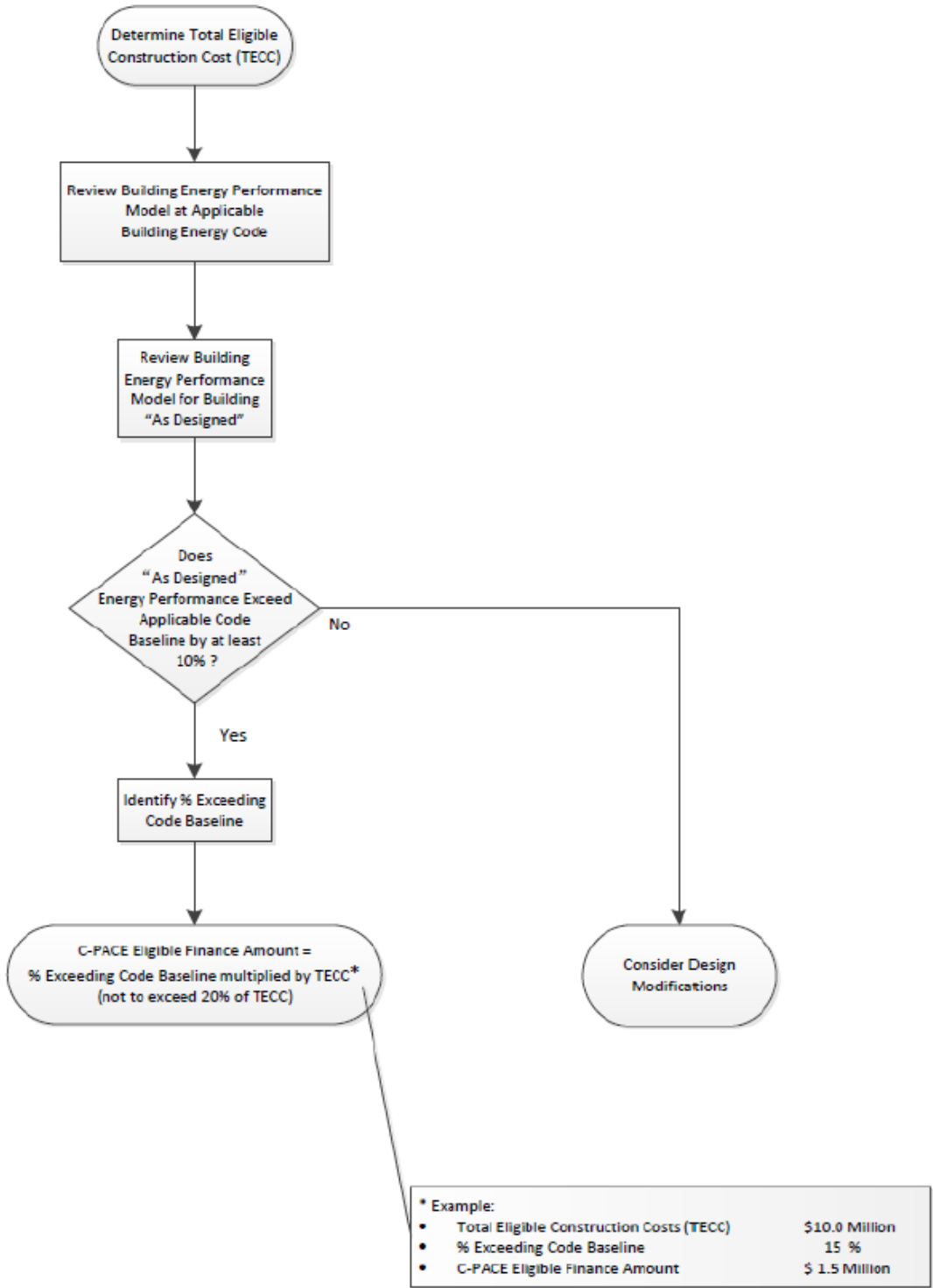
demonstrates a 10% improvement over the baseline will be 10% of the TECC. For each 1% improvement in performance over the code compliant baseline, an additional 1% of TECC will be eligible up to a maximum of 20% of TECC.

The As Designed Modeled Energy Performance shall exclude the impact of renewable energy systems such as solar photovoltaic. These systems will be evaluated separately with the net cost added to the C-PACE financing amount previously determined.

The maximum C-PACE financing amount eligible for a project will be determined by the program administrator after a review of the As Designed Modeled Energy Performance and Code Compliant Modeled Energy Baseline data submitted to confirm the exceedance above energy code compliance.

The following flowchart illustrates the new construction methodology:

# NEW CONSTRUCTION PROJECT ELIGIBILITY FLOWCHART



# Project Technical Standards and Review

## AUDIT REQUIREMENTS

As a condition of financing qualifying energy improvements, C-PACE requires the performance of an energy audit, or feasibility study that assesses the projected energy cost savings of the improvements over their useful life by a registered contractor.

C-PACE requires, at a minimum, an ASHRAE Level I audit or comparable analysis. For comprehensive, multi-measure energy efficiency projects the program administrator may require the performance of an ASHRAE Level II energy audit that takes into account the interactive effects of the multiple improvements.

For all renewable energy improvements, the applicant must submit a Renewable Energy Feasibility Study (REFS). The REFS will provide 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

C-PACE qualifying energy improvements may be financed provided they generate utility cost savings. 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), C-PACE 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 legislation.

The SIR is calculated as the ratio of the total projected energy 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 are calculated as the incremental energy performance exceedance above the building energy code compliant level, as specified in the new construction section of this document.

## POST-CONSTRUCTION COMMISSIONING REQUIREMENTS

C-PACE legislation requires that the program administrator verify project results. To comply with that requirement a post-construction commissioning report shall be performed by the party performing the original installation of qualifying improvements or a third-party as agreed to in the project developer and property owner contract. 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.

Project developers are responsible for all costs incurred to complete the post-construction commissioning report. Such costs are eligible to be included in the project financing. The program administrator reserves the right to visit project sites to conduct post-construction commissioning oversight to verify the installation is in compliance with program guidelines.

## Property Owner Participation and Process

C-PACE is an innovative financing program that enables owners of commercial, industrial, agricultural, nonprofit, and multifamily housing (containing five or more dwelling units) real property located in the State of Delaware to use private-sector money to finance qualifying energy 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 personal guarantee.

### BENEFITS

Many property owners lack the capital they need to pay for energy improvements, which means many beneficial projects never get off the ground. The C-PACE program benefits property owners by providing access to affordable, long-term capital at competitive rates. 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
- May generate positive cash flow
- Can transfer to the next owner if the building is sold.

### ELIGIBILITY

Anyone who owns a commercial, industrial, agricultural, or multifamily housing building with five or more dwelling units (which is located in a Delaware county that has adopted C-PACE) 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 as is typical of any commercial loan, the capital provider financing the project may request the following information<sup>9</sup> 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.

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<sup>9</sup> This list is only a guide. At the discretion of the capital provider the provider may not require some of the items listed and/or may request and require other information not included in this list.

## PROCESS

To get started, property owners work with a contractor of their choice, provided the contractor is registered with the program. Alternatively, owners can select one or more contractors from the program's directory or ask a preferred contractor to register with the program. The program administrator makes no representations or warranties with respect to registered contractors, and does not qualify or evaluate registered contractors.

The owner should request the contractor to review the building's energy efficiency opportunities and discuss the improvements that would benefit their building.

Next, the property owner or the owner's agent will submit an application. Once the project has been reviewed for eligibility by the program administrator, the contractor and the property owner work together to determine the final project scope, optimized for C-PACE financing. Such process typically analyzes the following data:

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

# New Construction Developer Participation and Process

## NEW CONSTRUCTION PROJECTS

New construction projects present another opportunity for C-PACE financing. 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 can use 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 (IECC 2012/ASHRAE 90.1-2010) by at least 10 percent.

## ELIGIBILITY

Owners planning new commercial, industrial, agricultural, multifamily housing (containing five or more dwelling units), or nonprofits such as houses of worship, private schools and universities can take advantage of the New Construction C-PACE program. Such new construction projects must be designed to exceed the current energy code (IECC 2012/ASHRAE 90.1-2010) by at least 10 percent.

## PROCESS

Once an application is received, the 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 (IECC 2012/ASHRAE 90.1-2010) by at least 10 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 code compliant 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

C-PACE is an innovative financing program that enables owners of commercial, industrial, agricultural, nonprofit, and multifamily housing (containing five or more dwelling units) real property located in the State of Delaware to use private-sector money to finance qualifying energy improvements. By providing up to 100 percent, affordable, long-term financing for qualified improvements, the program may help building owners lower their operating costs and improve the value of their asset. Because it is strictly property-based, C-PACE requires no personal guarantee by the owner.

### BENEFITS

Many property 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. C-PACE program benefits will help contractor close more deals, including multi-measure projects that, without C-PACE, the owner would likely be unable to fund.

### ELIGIBILITY

Any energy efficiency or renewable energy contracting firm that holds all applicable state and local licenses is eligible to become a C-PACE-registered contractor. By establishing contractor registration criteria, the program administrator is not recommending or endorsing any specific contractor or warranting the reliability of any such installer.

### HOW TO REGISTER

Contractor registration is a simple, two-step process. First, a contractor must attend a training session to learn about the benefits of the C-PACE program, how it works, and how to access the free support services offered by the program administrator. (Visit the program website to see the training 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 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 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 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 will minimize project delays.

## PROCESS

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

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

## TECHNICAL SUPPORT

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

- Discussing projects for C-PACE financing suitability
- Preparing financial and savings calculations
- Attending meetings with property owners to explain the program benefits and technical calculations.

Contractors should contact their own accountants, attorneys, or other consultants for any additional support needed.

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

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

## Capital Provider Participation and Process

C-PACE is a voluntary financing program that enables property owners to modernize their commercial, industrial, agricultural, nonprofit or multifamily housing (containing five or more dwelling units) real properties by installing energy efficiency measures. Funding is provided by private capital providers.

### BENEFITS

C-PACE is a relatively secure investment. The investment is secured by a benefit 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, capital providers who work with the C-PACE program receive attractive, finance-ready projects.

### ELIGIBILITY

The C-PACE program seeks to stimulate the market through an open-access-to-capital model. For this reason, C-PACE is open to all capital providers that meet the program's eligibility criteria.

### HOW TO QUALIFY

To register as a capital provider for the C-PACE program, simply download, complete, and submit the Capital Provider 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 C-PACE website for marketing purposes. By establishing capital provider registration, the program administrator is not recommending or endorsing any specific capital provider.

### WAYS TO PARTICIPATE

Registered capital providers can participate in C-PACE in two ways:

1. Work with property owners to underwrite projects and help them prepare their application for financing approval. We encourage capital providers to register with the program *prior* to submitting a project application.
2. Collaborate with the program administrator to evaluate funding opportunities. In some instances, property owners may apply for C-PACE without a pre-selected capital provider. In this case, the program administrator will share pre-approved project information with registered capital providers for their determination of project funding interest.

### EDUCATION REQUIREMENTS

Capital providers must educate property owners about the costs and risks associated with participating in C-PACE, including but not limited to the effective interest rate of the benefit assessment, fees charged, and risks related to the failure of the property owner to pay the benefit assessment.

The 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 mission and practices.

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

## Mortgage Holder Participation and Process

C-PACE is an innovative, voluntary financing program that enables borrowers to modernize their building by installing qualifying energy improvements funded with affordable, long-term financing.

### BENEFITS

Building upgrades designed to conform to 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 often experience improved net operating income, increased asset value, and a positive return on their investment. As a result of the property owner's increased cash flow, the mortgage holder's loan is more serviceable, and the property is more attractive to current and potential tenants and buyers. In addition, the benefit assessment does not accelerate. In the event of a default, only the amount of the assessment in arrears is due.

Across the country, commercial property assessed clean energy programs have been embraced by more than 170 national, regional, and local mortgage holders. [View a list](#) of consenting mortgage holders.

### PARTICIPATION

The C-PACE program provides up to 100 percent financing to owners of new and existing buildings located in a participating C-PACE 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 benefit assessment lien, which is similar to a sewer district assessment that is recorded on the property. The benefit assessment lien is senior to all commercial mortgages and deeds of trust, equal in priority to other property and school taxes and other governmental service assessments to the extent only of the amount of the C-PACE assessments, penalties and fees currently due and/or in arrears.

As a result, the 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 approval from, and possibly a meeting with the mortgage holder. At the meeting or by other method 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 cooperate with the mortgage holder's project review.

## General Terms and Provisions

### TAXES

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

### CHANGES IN THE PROGRAM TERMS; SEVERABILITY

C-PACE reserves the right to change this Program Guide and the terms and provisions set forth within at any time without notice. The Financing Agreement executed between the property owner and the 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 the program administrator to disclose personal/corporate information that it submits to third-parties when such disclosure is essential to the conduct of C-PACE business or to provide services to the property owner. 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 C-PACE was formed solely to help property owners<sup>10</sup> finance qualifying energy improvements. 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 benefit assessment regardless of whether the products are properly installed or operate as expected.

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<sup>10</sup> In any Delaware county that has legally adopted the C-PACE program.

# Appendix

## KEY DEFINITIONS

<b>Agency Sponsor</b>	The entity that oversees the program. In this case, it is Energize Delaware.
<b>Assessment Payments</b>	The periodic repayments of the financing 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.
<b>Capital Provider</b>	The entity that will finance the qualifying energy improvements.
<b>C-PACE Project</b>	Qualifying energy improvements made to qualifying commercial real property, whether financed entirely by C-PACE or through incentives or other sources in combination with C-PACE financing.
<b>Eligible Property</b>	Qualifying commercial real property located within a Delaware county that has adopted a local ordinance that conforms with the C-PACE requirements.
<b>Eligible Improvements</b>	Any improvement, construction, equipping, installation or modification of or to qualified real property that is designed to increase energy efficiency, or facilitate renewable energy production and distribution.
<b>Financing Agreement</b>	The written agreement between a property owner and capital provider regarding matters related to the extension and repayment of a loan to finance a project.
<b>Lien</b>	A voluntary benefit assessment lien established by 29 Delaware Code § 8061 (d)(6), a notice of which is recorded in the Office of the Recorder of Deeds for the county against an eligible property to secure the repayment of the C-PACE financing.
<b>Program Administrator</b>	Energize Delaware is the C-PACE Program Administrator. Energize Delaware may retain a third-party to assist in the program administration.
<b>Property Owner</b>	The person or entity that holds legal fee simple title to the eligible property, together with its successors and permitted assigns, as further defined in the financing agreement.

<b>Qualified Real Property</b>	Commercial, industrial, agricultural, nonprofit, or multifamily housing (containing five or more dwelling units) real properties located on eligible property that can benefit from eligible improvements. Such buildings can be existing, newly constructed, under construction, or to be constructed.
<b>Registered Contractor</b>	Any contractor, auditor or developer licensed by the State of Delaware that performs the work required for the analysis, installation or construction of the qualifying energy improvements can be enrolled in the C-PACE program.
<b>Savings-to-investment Ratio</b>	The savings-to-investment ratio (SIR) is calculated by dividing the projected energy cost savings over the estimated useful life of the improvements by the total installed cost of the project, including the cost of equipment, installation, and financing.



## Exhibits

### Exhibits:

- A. Capital Provider Application and Participation Agreement
- B. Contractor Registration Application
- C. County Participation Agreement and Resolution
- D. Project Application
- E. Mortgage Holder Consent Form
- F. Financing Agreement Template
- G. Assessment Assignment to Capital Provider

### **Delaware Code: Title 29 - Chapter 80**

Department of Natural Resources and Environmental Control

Subchapter II. The Delaware Energy Act

<http://delcode.delaware.gov/title29/c080/sc02/>