



C-PACE Program Guidelines

AN INITIATIVE OF THE EFFICIENCY MAINE GREEN BANK

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Article I. INTRODUCTION

In June 2021, the Maine State Legislature enacted L.D. 340 – *An Act to Allow for the Establishment of Commercial Property Assessed Clean Energy Programs*, commonly known as “C-PACE.” The C-PACE Act (35-A M.R.S. §§10201 *et seq.*) authorizes the Efficiency Maine Trust (“Efficiency Maine” or “the Trust”) to establish a C-PACE Program. Efficiency Maine has added this program to the suite of financing initiatives for energy project investment under the Efficiency Maine Green Bank. A C-PACE program allows owners of commercial property owners to access an attractive type of financing to undertake energy efficiency and clean energy improvements on their buildings and repay the investment over time. Like other project financing, C-PACE relies on borrowed capital from a lender to pay for the upfront costs associated with energy efficiency or renewable energy improvements. Unlike other project financing, the borrowed capital is secured by a property tax assessment with an associated lien on the subject property.

The security provided by the tax assessment can result in several compelling features, including longer terms, lower interest rates, and transferability of the repayment obligations to subsequent owners of the property. In turn, C-PACE strengthens the business case for investment in more extensive building improvements having longer paybacks compared to what may be possible with traditional financing. Under C-PACE, the cost of energy savings improvements – such as energy efficient heating systems, energy storage systems, electric vehicle supply equipment, photovoltaic systems, solar thermal systems, geothermal systems, high-efficiency wood heating systems, and similar clean energy improvements – can be spread over the expected useful life of the improvements. For some equipment, the useful life is as long as 25 years. Another important feature of C-PACE is that in the event of default on a C-PACE obligation, only the payments in arrears come due; the balance of the C-PACE financing assessment is not automatically accelerated. The C-PACE lien remains on the property until the financed amount is fully repaid.

C-PACE legislation has been in place in other states for several years and C-PACE has shown itself to be an effective tool in attracting private capital into the clean energy and energy efficiency marketplace. C-PACE serves a public purpose by reducing energy costs, stimulating the economy, improving property valuation, reducing greenhouse gas emissions, and creating jobs. C-PACE offers multiple benefits to a broad range of stakeholders, including but not limited to: building owners, municipalities, mortgage holders, lenders and energy efficiency/renewable energy contractors.

The purpose of these Program Guidelines is to describe the requirements of the Efficiency Maine C-PACE Program. They provide information about the:

- Statutory and programmatic eligibility requirements for C-PACE properties and projects in Maine; and,
- Process for applying for C-PACE project approval; and,
- Criteria for project review.

These Program Guidelines may be updated, supplemented, amended, or otherwise modified by the Trust from time to time. The version of the Program Guidelines in effect at the time a C-PACE application is submitted shall

be the version that governs the application review process performed by Efficiency Maine.

The C-PACE Program is governed by the terms of the C-PACE Act¹ and the administrative rules adopted by the Trust (the “Rules”).² In the event of a direct conflict between the terms of these Program Guidelines or any Exhibit or Appendix and the C-PACE Act or Rules, the provisions of the C-PACE Act and Rules, in that order, shall control. Nothing in these Program Guidelines is intended to be contrary to the C-PACE Act or Rules and all are intended to be read and interpreted harmoniously.

Capitalized terms not otherwise defined in this document in Article I: Definitions have the definitions found in the C-PACE Act.

¹ 35-A Maine Revised Statutes (MRS) §10201 et seq.

² 95-648 Code of Maine Rules (CMR) ch. 5, Commercial Property Assessed Clean Energy (C-PACE) Program Regulations. (Appendix A)

Article II. DEFINITIONS

1. **Commercial PACE (“C-PACE”).** Commercial Property Assessed Clean Energy, abbreviated as “C-PACE”.
2. **Commercial PACE (“C-PACE”) Act.** 35-A M.R.S §§10201 et seq. of the Maine Revised Statutes, as may be amended.
3. **Commercial PACE (“C-PACE”) Assessment Agreement.** An agreement that authorizes the creation of a C-PACE Assessment on Qualifying Property and that is approved in writing by all owners of the Qualifying Property at the time of the agreement.
4. **Commercial PACE (“C-PACE”) Assessment.** An assessment made against a Qualifying Property, authorized by the C-PACE Act for repayment of the financed amounts for Energy Savings Improvements.
5. **Commercial PACE (“C-PACE”) Lien.** A lien secured against a Qualifying Property that is created by a C-PACE Assessment and the recording of a Notice of C-PACE Assessment Agreement in the Registry of Deeds.
6. **Commercial PACE (“C-PACE”) Loan.** A loan, payable through a C-PACE Assessment and secured by a C-PACE Lien, made to the owner(s) of a Qualifying Property pursuant to the C-PACE Program to fund Energy Savings Improvements.
7. **Commercial PACE (“C-PACE”) Ordinance.** An ordinance adopted by the legislative body of a municipality for the purpose of participating in a C-PACE Program.
8. **Commercial PACE (“C-PACE”) Program.** The program established under the C-PACE Act, administered by the Trust or a third party contracted by the Trust, under which commercial property owners may finance Energy Savings Improvements on Qualifying Property.
9. **Commercial PACE (“C-PACE”) Program Administrator.** The Trust, a third-party contracted by the Trust or a C-PACE Municipality that has elected to administer one or more of the functions of the C-PACE Program.
10. **Energy Savings Improvement.** An improvement or series of improvements to Qualifying Property that relates to the energy production or energy consumption on the property and that meets the standards established by the Trust in Article III, section 4 of these Program Guidelines.
11. **Estimated Useful Life.** The weighted average effective useful life of the Energy Savings Improvement(s).
12. **Municipal Liens.** Liens of the municipality (for property taxes) or a municipal water, sanitation or sewer district.
13. **Participating Municipality.** A Maine municipality that has adopted a C-PACE Ordinance for the purpose of participating in a C-PACE Program, and has executed a Municipality C-PACE Participation Agreement with the Trust to serve as the C-PACE Program Administrator.
14. **Property.** The real property that is the subject of the C-PACE application.

- 15. Property Owner.** All of the owners (except any mortgage holder) of any Qualifying Property.
- 16. Property Value.** The value of the property or the as-built value of the property after construction or improvements as determined by the Capital Provider.
- 17. Qualifying Property.** Real commercial property that has demonstrated conformity with the criteria for a Qualifying Property as defined in Article III, section 3 of these Program Guidelines.
- 18. Qualifying Project.** A project that has demonstrated conformity with the criteria for Qualifying Projects as defined in Article III, section 5 of these Program Guidelines.
- 19. Registered Capital Provider.** “Registered Capital Provider” or “Capital Provider” means a lender providing financing for the Energy Savings Improvement(s) through a C-PACE Program and registered with the Trust.
- 20. Renewable Energy Installation.** A fixture, product, system, device or interacting group of devices installed behind the meter at a Qualifying Property, or on contiguous property under common ownership, that produces energy or heat from renewable sources, including but not limited to, photovoltaic systems, solar thermal systems, highly efficient wood heating systems, geothermal systems and wind systems that do not on average generate more energy or heat than the average annual load of the property. Average annual load shall be calculated by taking the average of at least three most recent years of energy usage, or, in the case of a planned new load or significant change in the building load, a projection of annual energy load over the next three years.
- 21. Savings-to-Investment Ratio (“SIR”).** The ratio of savings to costs of an Energy Savings Improvement demonstrating conformity with the requirements defined in Article III, section 9 of these Program Guidelines.
- 22. Technical Reviewer.** A qualified entity responsible for reviewing and disclosing projected costs and savings associated with the Energy Savings Improvement(s).
- 23. Trust.** “The Trust” or “Efficiency Maine” means The Efficiency Maine Trust established in 35-A M.R.S. §10103.

Article III. PROGRAM REQUIREMENTS

1. Municipality Participation

The C-PACE Act requires that municipalities wishing to participate in the C-PACE Program adopt a C-PACE Ordinance not materially different from the Trust's model C-PACE Ordinance (Appendix B) in their jurisdiction. A municipality must also complete a C-PACE Municipality Participation Agreement (Appendix C) with the Trust that establishes the Trust as the municipality's C-PACE Program Administrator. A Maine municipality that adopts a C-PACE Ordinance not materially different from the Trust's model C-PACE Ordinance and executes a C-PACE Municipality Participation Agreement with the Trust is a "Participating Municipality." A commercial property must be located in a Participating Municipality in order to be eligible for C-PACE financing through the Efficiency Maine C-PACE Program.

2. Establishing a C-PACE Lien

A Property Owner participating in the C-PACE Program will pay the costs of financing of Energy Savings Improvements through an assessment on the Qualifying Property. The finance payments for the C-PACE Assessment shall be collected by the Capital Provider while the remaining tax assessment shall be collected by the Participating Municipality. A C-PACE Lien secures payment for any unpaid C-PACE Assessment and, together with all associated interest and penalties for default and associated attorney's fees and collection costs, takes precedence over all other liens or encumbrances on the property, except for Municipal Liens. The term Municipal Liens, as used in these Program Guidelines, means liens of the municipality (for property taxes) or a municipal water, sanitation or sewer district. A C-PACE Lien remains on the subject property until the amounts due under the terms of the C-PACE Agreement are paid in full.

As described in more detail in these Program Guidelines, a C-PACE Lien cannot be established until every financial institution that has an existing lien on the subject property certifies in writing that it has received notice of the proposed C-PACE Assessment and that it consents to the precedence of the C-PACE Lien.

A Notice of C-PACE Assessment Agreement (Appendix E) filed in the Registry of Deeds must include, at a minimum:

- a. The amount of funds disbursed or to be disbursed pursuant to the C-PACE Assessment Agreement; and,
- b. The names and addresses of the current owners of the Qualifying Property subject to the C-PACE Assessment; and,
- c. A description of the Qualifying Property subject to the C-PACE Assessment, including its tax map and lot number; and,
- d. The duration of the C-PACE Assessment Agreement; and,
- e. The name and address of the entity filing the notice; and,
- f. Written verification of mortgage lender consent, if there is a mortgage on the property.

It is the responsibility of the Capital Provider to ensure that a Notice of C-PACE Assessment Agreement is compliant

with the C-PACE Act and filed in the appropriate Registry of Deeds, along with the executed Mortgage Lender Consent to C-PACE Assessment document (Appendix G). It is the responsibility of the Capital Provider to take the steps necessary to secure the lien against the commercial property subject to the C-PACE Assessment until the amounts due under the C-PACE Assessment Agreement are paid in full.

3. Property Eligibility

Only “Qualifying Property” is eligible for C-PACE Financing. “Qualifying Property” means:

- a. Real commercial property that:
 - i. Is located in a Participating Municipality; and,
 - ii. Does not have a residential mortgage; and,
 - iii. Is not owned by a “residential customer” or “small commercial customer” (i.e., customers do not pay “demand charges” on their electricity bill) as those terms are defined by electric utilities; and,
 - iv. Is not owned by a federal, state or municipal government or public school; and,
 - v. Consists of 5 or more rental units if the property is designed for residential use; and,
- b. For which the applicant has provided proof of ownership and documentation or attestation, as prescribed by the Trust, that the property:
 - i. Is current on
 - 1) real estate taxes; and,
 - 2) personal property taxes; and,
 - 3) municipal sewer, sanitary, and water district charges; and,
- c. Has no outstanding and unsatisfied tax or municipal, sewer, sanitary, or water district liens hereinafter referred to as Municipal Liens; and,
- d. Is not subject to a mortgage or other lien on which there is a recorded notice of default, foreclosure, or delinquency that has not been cured; and,
- e. Has no overdue payments on mortgages secured by the subject property.

4. Energy Savings Improvement

To be eligible for a C-PACE Loan, the purchase and installation of an Energy Savings Improvement must satisfy all of the following, where applicable:

- a. Be new and permanently affixed to the Qualifying Property; and,
- b. If it involves weatherization, then the insulation materials used must not violate the provisions of 38 MRS § 1613, which restricts the use of hydrofluorocarbons, and the project must result in increased energy efficiency or substantially reduced energy use; and,

- c. If it involves appliances and equipment, then each appliance and piece of equipment must comply with relevant provisions of either the federal Appliance and Equipment Standards established in 10 Code of Federal Regulations Part 429 or, where applicable, the Maine Department of Environmental Protection’s Appliance Efficiency Standards established at 06-096 Code of Maine Rules Chapter 180, and the project must result in increased energy efficiency or substantially reduced energy use; and,
- d. If it involves a Renewable Energy Installation, then it must meet the elements of that term as defined in Article II of these Program Guidelines; and,
- e. If it involves electric vehicle supply equipment or any energy storage system, then the equipment must be certified by the Underwriters Laboratories, Inc., or equivalent safety standard, and comply with all National Electrical Code regulations for safety and operation requirements; and,
- f. If it involves space heating equipment that is not a Renewable Energy Installation, then Maine law requires that the heating equipment to be financed through a C-PACE program must be of a type that produces the lowest carbon emissions of any heating equipment reasonably available to the Property Owner. For heating systems that would use on-site combustion, the Trust considers the US EPA emissions factors for different fossil fuels and biomass. For heat pump systems that would be powered by electricity from the grid that serves Maine, the Trust applies the marginal emission rate of grid power as reported by the Independent System Operator for New England (ISO-NE) to the electricity use of a heat pump system³. Table 1 below indicates the relative carbon emissions of different fuel types, including electricity, that are available to heat commercial buildings in Maine. The table also indicates the source (either the US EPA or the Trust’s Technical Reference Manual [TRM]) used by the Trust to arrive at the carbon values recorded in the table. Based on the values recorded in the table, the Trust finds that in any property that is located in Maine and connected to the electric utility distribution system, electric heat pumps are the lowest carbon emission space heating option. Upon a showing of good cause by the Property Owner that electric heat pumps are not reasonably available, the Trust may approve the use of a heating system that uses the next lowest carbon-emitting fuel type in Table 1 that is reasonably available; and,

Table 1: Emissions Factors

Heating Fuel	Source ⁴	lbs CO ₂ /MMBtu
Biomass (American Hardwood)	EPA	207
Heating Oil (#2)	EPA	163
Propane	EPA	139
Natural Gas	EPA	117
Electric Heat Pump ⁵	TRM	71 - 103

³ Table 5-3 Time-Weighted Marginal Emission Rate - All LMUs, Annual Average (All Hours), https://www.iso-ne.com/static-assets/documents/2022/05/2020_air_emissions_report.pdf

⁴ EPA = US Environmental Protection Agency, Emission Factors for Greenhouse Gas Inventories, April 2022; TRM = Efficiency Maine Trust Retail/Residential Technical Reference Manual (TRM), Version 2023.1.

⁵ Unlike fossil fuels that generate heat from the combustion of the inherent heat content, heat pumps move heat. Emissions factors for heat pumps are measured against the

- g. If it is for the construction of a new building or facility, then it must meet the criteria set forth in Article III, section 8 of these Program Guidelines; and,
- h. Meet the Savings-to-Investment Ratio standards set forth in Article III, section 9 of these Program Guidelines.

5. Project Eligibility

To be considered a “Qualifying Project” eligible for C-PACE financing, a C-PACE Project must meet the following requirements:

- a. Contain at least one Energy Savings Improvement; and,
- b. Certify that the estimated cost savings for the Property Owner from the Energy Savings Improvements over the Estimated Useful Life of such improvements achieves an SIR of not less than 1.0. See Section 8 of Article III, for details about SIR; and,
- c. Indicate the Estimated Useful Life of the Energy Savings Improvement(s). EUL is determined by a Technical Reviewer and is subject to review and approval by the Trust; and,
- d. The Qualifying Property must have a debt service coverage ratio of not less than 1.0 at the time the C-PACE Assessment Agreement is entered into, calculated as the net operating income divided by total debt service of the property; and,
- e. The Qualifying Property must have a loan-to-value ratio of not more than 1.0 at the time the C-PACE Agreement is entered into, calculated as the total amount of debt secured by the property including that of the C- PACE Assessment Agreement divided by the Property Value; and,
- f. The Qualifying Property's C- PACE Assessment-to-value ratio must be no greater than 0.35, calculated as the sum of the proposed C-PACE Assessment divided by the Property Value; and,
- g. For new construction, a project must meet all the previously stated requirements as well as the requirements in Article III, section 8, below.

6. Capital Provider Participation

If a Capital Provider wishes to participate in the C-PACE Program, it must submit an application to Efficiency Maine that can be found at <https://www.energymaine.com/c-pace/>. Efficiency Maine will approve Capital Providers that demonstrate their capacity and intention to:

- Capitalize Qualifying Projects; and,
- Perform the underwriting, origination, and loan servicing requirements of the Program; and,
- Manage a Qualifying Project to the point of fulfilling the necessary requirements of a project;

heat moved by the heat pump. The range of emissions reflects differences in efficiency of moving the heat. Electric Heat Pumps include any heating system that uses electric driven heat pump technology.

and,

- Comply with the regulations, procedures, and Program Guidelines of Efficiency Maine’s C-PACE Program.

In all cases, a lender under the C-PACE Program must have the ability to fund and service C-PACE Loans, including performing all accounting, reporting, billing and collection required for C-PACE Assessments, whether directly or through the lender’s agent.

Registered Capital Providers may include any:

- a. State, federal, or national bank, credit union, or savings and loan association authorized to make commercial loans in the State of Maine; or,
- b. Small Business Administration (SBA) small business investment company; or,
- c. Community Development Financial Institution (CDFI) that meets the definition of Authorized Commercial Lender in (d) below; or
- d. Other Authorized Commercial Lender where “Authorized Commercial Lender” shall mean a person or entity licensed or authorized under applicable law to make loans of money and/or provide secured or unsecured credit or financing to persons or entities for commercial purposes and that has a minimum capitalization of \$5 million with at least three years of commercial lending experience, and may include a qualified institutional buyer or accredited investor, each as defined in the federal Securities Act of 1933, and a trust or special purpose entity the equity or beneficial ownership interests in which is restricted to a financial institution, qualified institutional buyer, accredited investor, or insurance company.

The Capital Provider application specifies the backup documentation required to verify that a Capital Provider satisfies the requirements of this section. It divides the application into two tracks depending on Capital Provider type and background:

Track 1 - Entities in categories a, b and c in the list above are considered categorically capable and must provide basic documentation confirming their identity as detailed on the application for capital provider registration.

Track 2 - Entities in category d in the list above must provide documentation detailed on the application for capital provider registration, as well as proof of participation in two other nationally recognized C-PACE programs.

When a Capital Provider is approved by Efficiency Maine it is considered a Registered Capital Provider. The Trust maintains a publicly accessible listing of Registered Capital Providers on Efficiency Maine’s website at www.efficiencymaine.com/c-pace/. Efficiency Maine maintains sole discretion of Capital Provider approval and will have the right to withdraw approval from a Capital Provider at any time.

7. Written Notice, Consent and Acknowledgement

Certain written notices, consent and acknowledgements must be conveyed before a project may be approved for a C-PACE Loan. For every financial institution holding a lien, mortgage, security interest or other encumbrance on the property for which a C-PACE Assessment is being sought, the following steps must be completed:

- a. The financial institution must be given written notice of the Property Owner's intention to participate in the C-PACE Program (Notice of Proposed C-PACE Assessment – Appendix F);
- b. The financial institution must provide in writing to the Property Owner and Participating Municipality:
 - i. Acknowledgement that it has received the notice; and,
 - ii. Consent for the borrower to participate and enroll the collateral property in the C-PACE Program and,
 - iii. Acknowledgement that the financial institution understands:
 - 1) The C-PACE lien on the property will have priority status and,
 - 2) Foreclosure on a C-PACE lien does not eliminate the amount of the assessment that has not yet become due, and that the lien may not be accelerated or extinguished until fully repaid and,
 - 3) The financial institution is not required to, but has voluntarily elected to, consent to the property enrolling in the C-PACE Program and,
- c. This written consent (Mortgage Lender Consent to C-PACE Assessment – Appendix G) must be filed in the Registry of Deeds.

The provisions of this section do not apply to liens that occur subsequent to the establishment of a C-PACE lien.

8. New Construction

Pursuant to Section 10203(5) of Maine's C-PACE Act, a C-PACE Assessment may be used to secure financing for Energy Savings Improvements that are installed during the construction of a new building or facility or a major renovation and that exceed the minimum energy requirements of the Maine Uniform Building and Energy Code (MUBEC) consistent with Maine's C-PACE Rule. For avoidance of doubt, reference to MUBEC and its minimum energy requirements means the statewide requirements of Chapters 1-6 of the MUBEC, and not the requirements of a Stretch Code established in the appendix of the MUBEC, regardless of whether that Stretch Code has been adopted in a municipality.

The amount that may be financed for the Energy Savings Improvements installed under this section is limited to:

- a. In the case where the building's primary space heating system will employ high-efficiency heat pumps, either the itemized costs of the heat pump system or a default cost assumption of 14%⁶ of

⁶ Per a study commissioned by the Trust, data shows that on average high-efficiency electric heating systems constitute 14% of new construction building costs. (CADEO, Inc., NC HVAC Cost Analysis, December, 2022.)

the cost of the building’s construction and,

- b. In the case of improvements to the building envelope, the incremental costs of the envelope improvements compared to what it would have cost to meet the minimum energy requirements of the Maine Uniform Building and Energy Code for the building envelope; and,
- c. For all other Energy Savings Improvements that are incremental to the minimum energy requirements of the Maine Uniform Building and Energy Code, 100% of costs of Energy Savings Improvements that are itemized and documented sufficiently to distinguish them from other costs of the construction project.

A gut rehab or major renovation will be considered new construction so long as the cost of the project exceeds 50% of the building's current Property Value prior to the renovation.

9. Savings-to-Investment Ratio (SIR) Requirements

The SIR is the ratio of the present value savings to the present value costs of an Energy Savings Improvement that will be experienced by the Property Owner and/or the tenants of the subject property. The numerator of the ratio is the present value (PV) of net savings in energy and non-fuel operation and maintenance (O&M) costs attributable to the proposed Energy Savings Improvement. The denominator of the ratio is the present value of the net increase in investment and replacement costs less salvage value attributable to the proposed Energy Savings Improvement (ESI).

$$SIR = \frac{PV(\text{net savings in energy} + \text{non-fuel avoided O\&M costs})}{PV(\text{net increase in investment} + \text{replacement costs} - \text{salvage value of ESI})}$$

To be a Qualified Project eligible for a C-PACE Assessment:

- a. The Energy Savings Improvements, over the Estimated Useful Life of such improvements, must achieve for the Property Owner an estimated SIR of not less than 1.0; and,
- b. The calculation of the SIR must be reviewed by a Technical Reviewer, who must:
 - i. Sign an SIR Certification (Appendix H) indicating that they have reviewed the SIR calculation and find that it provides a reasonable estimation of the present value of the project costs and savings; and,
 - ii. Indicate whether the SIR calculation being certified was performed in the first instance by the Technical Reviewer or by another party, and in the event it was by another party, indicate the name, title, employer and place of business of that party; and
 - iii. Indicate in writing, or by applying their stamp, their name, title, employer, place of business, and professional credentials. The Technical Reviewer must be a licensed Professional Engineer in the State of Maine; and,
- c. Prior to executing a C-PACE Assessment Agreement, the calculation of the SIR, together with the SIR Certification, must be provided to the Property Owner and the Capital Provider, in written or electronic form, where the each of following are indicated:

- i. The assumed values for all energy rates, expressed in dollars per unit of energy consumed or saved; and,
 - ii. The value of any escalator applied to the energy rates or other costs in the calculation; and,
 - iii. The Estimated Useful Life of the improvements; and,
 - iv. The discount rate applied to the calculation; and,
 - v. For any tax credits, grants or financial incentives, depreciation and related tax benefits, emissions offsets or credits received, or finance savings that were applied to the calculation, an itemization of the individual values applied; and,
 - vi. For any operations or maintenance costs or savings associated with the Energy Savings Improvements that were applied to the calculation, an itemization of the costs and/or savings applied; and,
 - vii. A formula showing the calculation of the applicable costs and savings of the proposed project, the resulting numerator and denominator, and the resulting SIR; and,
- d. In the case of new construction and major renovations, calculation of the SIR shall consider only the incremental costs and savings that are estimated to result from the Energy Saving Improvements compared to what would have been required to meet the minimum energy requirements of the Maine Uniform Building and Energy Code.

For purposes of analyzing baseline energy use and estimated increase in energy efficiency or reduction in energy use, the following standards may be used for reference but are not specifically required:

- Baseline Energy Use: ASTM E2797-15, Building Energy Performance Assessment (BEPA) Standard directed at data collection and baseline calculations for the energy assessment;
- Energy Efficiency and Energy Savings: ASHRAE Level I, Level II and Level III Energy Audit Guidelines;
- Prevailing building energy efficiency codes and any equipment or systems standards contained in such codes; and/or
- Such other technical standards as the Trust may establish or approve from time to time.

The C-PACE Program does not guarantee energy savings. Calculation of a positive SIR is intended to provide information and context for the Property Owner and the Capital Provider to assist them in making financial decisions, but does not constitute a guarantee of performance, increased energy efficiency, or reduced energy use.

Article IV. APPLICATION PROCESS

1. Summary of Application Requirements

- a. An applicant may be the Property Owner, Registered Capital Provider, Technical Reviewer, associated improvement contractor, or any dedicated third party coordinating with the Property Owner, Registered Capital Provider, or Technical Reviewer.
- b. Before applying for the C-PACE Program, the applicant must ensure that it have a Qualifying Property and a Qualifying Project and has selected a Registered Capital Provider for C-PACE financing.
- c. The applicant must submit an application on the online portal at www.energymaine.com/c-pace/.
- d. The applicant must upload all application documents listed in the Application Checklist (Article IV, section 7). The Trust reserves the right to request additional information as necessary in the review of any proposed project.
- e. Capital Providers are responsible for ensuring that all underwriting requirements stipulated in section 6 of the Rule (Appendix A) are satisfied before closing any C- PACE financing and entering into a C-PACE Assessment Agreement.
- f. The applicant must pay a non-refundable application fee of \$1,000. This must be submitted by completing the online payment process at www.energymaine.com/c-pace/.

2. Application Review Process

Upon receipt of all required application documents identified in the Application Checklist (Article IV, section 7), Efficiency Maine will review the materials to determine:

- a. Whether the application includes a Qualifying Project on a Qualifying Property; and,
- b. That an eligible Technical Reviewer has executed the required SIR Certification; and,
- c. That a Registered Capital Provider has certified that all required underwriting standards in section 6 of the Rule have been satisfied; and,
- d. That a Mortgage Lender Consent to C-PACE Assessment document has been received from all applicable financial institutions; and,
- e. That a C-PACE Assessment Agreement has been executed by the Property Owner, the Registered Capital Provider, and the Participating Municipality in a form acceptable to the Trust; and,
- f. That all applicable C-PACE Program terms and conditions have been satisfied; and,
- g. That all application fee has been received by the Trust.

3. Application Approval

If all C-PACE Act and C-PACE Program requirements are satisfied, the Trust will issue a Notice of Approval. If all C-PACE Act and C-PACE Program requirements are not satisfied, the Trust will issue a Notice of Rejection. After receiving a Notice of Rejection, an applicant will have one subsequent attempt to cure the application to meet the requirements of the Program. If the subsequent attempt still does not meet the requirements of the Program, the applicant will receive another Notice of Rejection. Any further submissions to the program will have to be submitted as an entirely new application including the payment of an additional application fee. Efficiency Maine will in good faith attempt to aid applicants in understanding the reasons an application may be deemed rejected.

4. Scope of Work & Technical Review

Property Owners work with an energy auditor, licensed contractor, or engineer with demonstrated experience to define a scope of work for their proposed project. This scope can range from installation of a single Energy Savings Improvement, to a whole building energy upgrade involving multiple, interactive Energy Savings Improvements.

The C-PACE Program requires that each Property Owner use the services of a Technical Reviewer in reviewing the SIR calculations as required in Article III, section 9 of these Program Guidelines. The Technical Reviewer must be a licensed Professional Engineer in the State of Maine. The Technical Reviewer may be employed by a party involved in the project.

The Technical Reviewer signs an SIR Certification document indicating that they have reviewed the SIR calculation and find that it provides a reasonable estimation of the present value of the project costs and savings. The Technical Reviewer must provide in writing their name, employer, place of business, and credentials or qualifications. This information, along with the SIR Certification document is submitted as part of the application for review by the Trust.

The C-PACE Program does not require that the Property Owner or contractor guarantee energy savings or that the Property Owner secure an energy performance contract. An SIR Certification by a Technical Reviewer does not constitute a guarantee of performance, increased energy efficiency, or reduced energy use. Neither the Technical Reviewer nor the Trust are responsible for project performance or savings.

5. C-PACE Loan Closing and Municipal Assessment

Upon receipt of a Notice of Approval by the Trust, the Property Owner and the Registered Capital Provider will close financing if they have not already. The Participating Municipality will execute the Notice of C-PACE Assessment Agreement and the Registered Capital Provider will be responsible for recording the executed Notice of C-PACE Assessment Agreement in the applicable Registry of Deeds in order to perfect the C-PACE Lien. The Registered Capital Provider must also record any executed Mortgage Lender Consent(s) to C-PACE Assessment in the applicable Registry of Deeds.

The executed C-PACE Assessment Agreement will include the payment schedule for the C-PACE Assessment. Any changes to the payment schedule must be provided by the Registered Capital Provider to the Participating Municipality. The tax collector for the Participating Municipality will place the C-PACE Assessment on the Property

tax records. Subsequent property tax bills or other notices of assessment will include a supplementary document confirming that there is a C-PACE Assessment on the Property and detailing remittance instructions on behalf of the Registered Capital Provider. Collection will commence based upon the agreed schedule.

6. Post-Installation Review and Verification

Following completion of the Qualified Project, the Registered Capital Provider must confirm that the Energy Savings Improvements funded through the C-PACE Program were installed completely and are operating as intended. Capital Providers must notify Efficiency Maine within 30 days that a project is installed completely and is operational. Such notification shall be emailed to C-PACE@efficiencymaine.com. Registered Capital Providers must also provide updates to project development and implementation status upon request of Efficiency Maine. Registered Capital Providers may impose additional commissioning and verification requirements on Property Owners as a condition of C- PACE financing.

Efficiency Maine reserves the right to request additional information from the Property Owner and to conduct additional evaluation, measurement and verification of all C-PACE projects as it may deem beneficial for the operation and integrity of the Program. By participating in the C-PACE Program, the Property Owner grants authorization to Efficiency Maine, upon its reasonable advance request, to access facilities and records to collect data as may be needed to measure and verify electricity savings and fuel reductions (this may include but is not limited to utility bills, metering data, facility equipment surveys, information on operational practices, and site occupancy levels).

7. Application Document Checklist

The following is a list of the key documents that C-PACE Program applicants must collect and upload to the application portal at www.efficiencymaine.com/c-pace/. (Note: The Capital Provider may have additional requirements for underwriting and loan approval).

- a. **SIR Certification** – Completed and signed by the Technical Reviewer. (Appendix H)
- b. **Technical Reviewer Credentials** – Proof that the Technical Reviewer is a licensed Professional Engineer in the State of Maine.
- c. **List of Property Owners, Lienholders, and a Title Report** – A complete listing of all Property Owners of the real property where the Energy Savings Improvement(s) will be located, a complete listing of all financial institutions holding a lien, mortgage, or security interest in or other collateral encumbrance on the real property, and a recent (within thirty days) title report of the real property where the Energy Savings Improvement(s) will be located, identifying all Property Owners and all mortgages, liens and other encumbrances of record
- d. **C-PACE Assessment Agreement** – Signed by the Property Owner, Capital Provider and Participating Municipality. (Appendix D)
- e. **Mortgage Lender Consent to C-PACE Assessment** – Signed by each financial institution holding a lien, mortgage or security interest in or other collateral encumbrance on the Property on which the project is located (if applicable.) (Appendix G) Applicant must ensure that consent is obtained and

submitted for each lienholder identified in the listing and title report provided pursuant to subsection (c), above.

- f. **Tax Information** – A current tax assessor property card showing tax map and lot number and describing the property on which the Qualifying Project is located, along with any additional documentation confirming that the project is located on a Qualifying Property and that tax payments are current.

Article V. OTHER PROGRAM ELEMENTS

1. Amount Financeable through a C-PACE Loan

Except as provided for a new construction project or a major renovation in Article III, section 8, the C-PACE Loan may cover up to 100% of an Energy Savings Improvement's costs, including the costs of any audits, development and application fees directly associated with the improvement, less any rebate or other financial incentive provided by the Trust to the Property Owner.

2. Term of the C-PACE Assessment Agreement

The term of the C-PACE Assessment Agreement shall not exceed the Estimated Useful Life of the financed Energy Savings Improvements, the duration of which shall be acceptable to and disclosed by the Technical Reviewer.

3. Disbursement of Funds

A Capital Provider may disburse funds prior to project completion.

4. Availability of C-PACE Financing for Previously Complete Qualifying Projects

A C-PACE Loan may be used to finance Energy Savings Improvements at a Qualifying Property provided that the work was completed less than one year prior to the complete submission of all C-PACE application documents necessary for Trust approval of such Qualifying Project.

5. Restrictions on Refinancing through the C-PACE Program

A Qualifying Project that has already closed on a C-PACE financing may restructure, amend, restate or otherwise modify an existing C- PACE financing and assessment by agreement with original C-PACE Lender (or its successors or assigns), so long as any such changes maintain compliance with Program requirements and the Notice of C-PACE Assessment Agreement on record is updated. A Qualifying Project that has already closed on C-PACE financing may refinance based on the following conditions:

- a. The refinancing is through the original C-PACE lender (or its successors or assigns)
- b. No new C-PACE Assessment is needed for the same Qualifying Project.

6. Billing and Collection

C-PACE Assessments must be billed and collected by the Registered Capital Provider. The Participating Municipality designates the Registered Capital Provider to perform billing and collection for a C-PACE Assessment in the C-PACE Assessment Agreement. Such designation gives the Capital Provider a contractual right to receive C- PACE Assessment payments in repayment of the C-PACE financing. Efficiency Maine and the Participating Municipality serve only as a Program sponsor to facilitate loan repayment and incur no liability for the loan.

7. Delinquency and Default

A C-PACE Assessment delinquency or default may be handled in two distinct ways:

- a. If a C-PACE Assessment is delinquent or in default and the borrower or Property Owner is

delinquent in any tax debt due to the Participating Municipality in which the property is located, collection may occur only by the recording of liens and by foreclosure under the statutory process provided in Title 36 M.R.S. §942 and §943. Liens will be recorded and released in the same manner as liens for real property taxes.

- b. If only a C-PACE Assessment is delinquent, but the borrower is current on payment of all municipal taxes due to the Participating Municipality, then the Capital Provider, as C-PACE lienholder, will be provided an assignment of the C-PACE lien, as provided in the written agreement between the Participating Municipality and the Capital Provider. In accordance with the C-PACE Act, the assignee shall have all the same powers and rights at law as the Participating Municipality and its tax collector with regards to the priority of the C-PACE lien, the accrual of interest and fees, and the costs of collection. The assignee shall have the same rights to enforce the C-PACE lien as any private party or lender holding a lien on real property, including, the right of foreclosure consistent with 14 M.R.S. §6203-A and §6321 and any other action in contract for the enforcement of the C-PACE lien. In accordance with the C-PACE Act, the assignee has the right to recover costs and reasonable attorney's fees incurred as a result of any foreclosure action or other legal proceeding brought to enforce the C-PACE lien.

8. Transfers

A C-PACE Assessment may be transferred to a new property owner. If the Property Owner sells or transfers a property with a C-PACE Lien, the buyer may:

- a. pay off the remaining payment obligations and remove the lien; or,
- b. take over the payment obligations of the lien.

9. Foreclosures

In the event of a judicial or nonjudicial sale or foreclosure of a property subject to a C-PACE lien by a lienholder that is not a commercial-PACE lienholder, the C-PACE lien must survive the foreclosure or sale to the extent of any unpaid installment, interest, penalties or fees secured by the lien that were not paid from the proceeds of the sale.

10. Limitation of Liability

Pursuant to the C-PACE Act, notwithstanding any provision of law to the contrary, staff or trustees of Efficiency Maine and municipal officers and municipal officials of Participating Municipalities, including, without limitation, tax assessors and tax collectors, are not personally liable to any other person for claims, of whatever kind or nature, under or related to the C-PACE Program, including, without limitation, claims for or related to uncollected C-PACE assessments.

Other than the fulfillment of its obligations specified in a C-PACE Assessment Agreement, neither Efficiency Maine nor a Participating Municipality has any liability to a commercial Property Owner or Capital Provider for or related to Energy Savings Improvements financed under the C-PACE Program or for the repayment of any such financing.

Article VI. APPENDICES

The following Appendices can be found on the Efficiency Maine C-PACE Program webpage at the following link:

<https://www.efficiencymaine.com/c-pace/>

Appendix A: Chapter 5: C-PACE Program Regulations (the Trust's administrative rule)

Appendix B: Model C-PACE Ordinance

Appendix C: C-PACE Municipality Participation Agreement

Appendix D: C-PACE Assessment Agreement

Appendix E: Notice of C-PACE Assessment Agreement

Appendix F: Notice of Proposed C-PACE Assessment

Appendix G: Mortgage Lender Consent to C-PACE Assessment

Appendix H: Savings-to-Investment Ratio (SIR) Certification