



# Efficiency Maine C-PACE Stakeholder Event

July 26, 2022

Efficiency Maine C-PACE is an initiative by the Efficiency Maine Green Bank

# Presentation Overview

## Important Notes:

- **We will be recording this presentation**
- Comments may be placed in the chat throughout the presentation
- Open discussion will occur at the end of the meeting

## AGENDA:

1. Efficiency Maine
2. C-PACE Overview
3. Program Design Objectives
4. Property and Project Requirements
5. Participating in the C-PACE Program
6. C-PACE Process Overview
7. Default and Transfer Process
8. C-PACE New Construction
9. SIR Requirements
10. Technical Review Requirements
11. Key Decisions
12. Discussion (Comments & Feedback)

# About Efficiency Maine

- Independent, Quasi-State Agency
- Runs the State's energy efficiency and carbon saving programs
- Provides rebates, financing, technical information, customer engagement, and registry of vendors
- Funded by electric and natural gas rates, Regional Greenhouse Gas Initiative, ISO New England Grid, federal grants, and other sources
- Board appointed by the governor and confirmed by the legislature

More info at: [EfficiencyMaine.com](https://www.EfficiencyMaine.com)

# Maine's C-PACE Program - Overview

- Enacted in June 2021
- Authorizes Efficiency Maine Trust and municipalities adopting a C-PACE Ordinance to establish C-PACE programs;
- Purpose is to **accelerate installation of energy efficiency and renewable energy improvements on commercial property** by facilitating, and improving the terms of, financing for such energy improvements.
- Benefits of C-PACE financing:
  - Reduces upfront costs associated with Energy Improvements
  - Promotes longer term financing
  - Enables transferability of repayment obligations to subsequent owners
  - Strengthens case for longer payback, deeper building retrofits beyond what is possible w/ traditional financing

# Draft Program Design Objectives

- Maintain a simple process for Municipalities to administer
  - Encourage as many as possible to adopt a C-PACE Ordinance
- Enable third-party Capital Providers to manage the application process (reducing burden on municipalities)
- Support integrity of the Program through quality assurance for all participants
- Encourage adoption of C-PACE loans in the marketplace
- Preserve a low administrative burden for the program

# C-PACE Property Requirements

## Property Requirements:

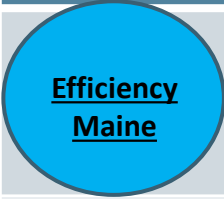




- Located in Participating Municipality
- Ownership of the Qualifying Property
- Qualifying Property must be current on real estate taxes, personal property taxes, and municipal sewer, sanitary, and water district charges
- Qualifying Property must not have any outstanding tax or municipal liens
- Qualifying Property must not have any current defaults on mortgages or other liens.
- Qualifying Property must be a commercial property

# C-PACE Project Requirements

## Project Requirements:

- Contain an **Energy Savings Improvement** that is new and permanently affixed to Qualifying Property
- Demonstrate the project has a **savings-to-investment ratio ("SIR")** of not less than 1
- The **term** of the C-PACE financing may not exceed the estimated useful life of the Improvements
- Qualifying Property must have a **debt service coverage ratio** of not less than 1.0 at the time the Commercial PACE Agreement is entered into
- Qualifying Property must have a **loan-to-value ratio** of not more than 1.0 at the time the Commercial PACE Agreement is entered into
- The Qualifying Property's Commercial PACE **Assessment-to-value ratio** must be no greater than 0.35

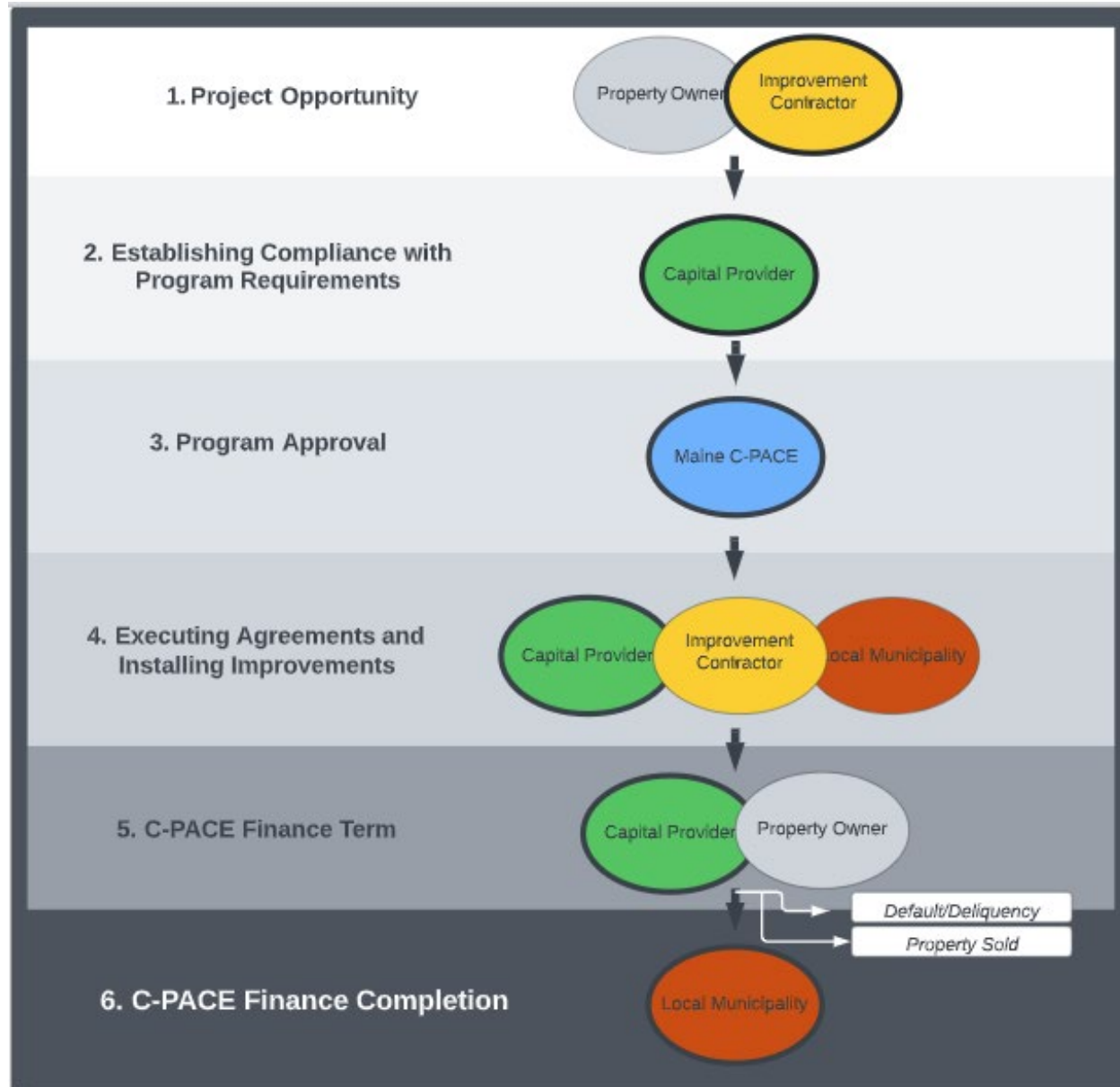
# Participating in the C-PACE Program

	Benefits of the Program	Primary Role in the Program	Requirements to Participate
 <b>Efficiency Maine</b>	More energy efficiency projects	<ul style="list-style-type: none"> <li>Administers the Program</li> </ul>	
 <b>Property Owner</b>	Increases access and viability of energy efficiency projects	<ul style="list-style-type: none"> <li>Pursue CPACE financing for a qualifying project</li> <li>Help identify Capital Provider, Technical Reviewer, installation contractor(s)</li> </ul>	
 <b>Capital Provider</b>	Secure, senior position, financing product	<ul style="list-style-type: none"> <li>Provide the capital and manage the Program activities</li> <li>Coordinate efficiently with other participants to fulfill all required Program responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>Meet minimum credential requirements (see Process Manual)</li> <li>Submit a Capital Provider Application <i>If the Capital Provider is approved by the Trust, it is added to the Registered Capital Provider list.</i></li> </ul>
 <b>Improvement Contractor</b>	More projects	<ul style="list-style-type: none"> <li>Install a Qualifying Project to mechanical and operational completion</li> </ul>	
 <b>Local Municipality</b>	Economic development	<ul style="list-style-type: none"> <li>Ensure all required legal documents are filed at the county level</li> <li>Manage delinquency tasks when applicable</li> </ul>	<ul style="list-style-type: none"> <li>Adopt an enabling ordinance authorizing participation in the Program</li> <li>Execute a Municipality CPACE Participation Agreement with the Trust</li> </ul>



# C-PACE Process Overview

# C-PACE Process Overview



To avoid ambiguity the bolded circle is the entity whom will typically control the major processes of the stage

# Stage 1 – Project Opportunity

## Property Owner

- Works with Improvement Contractor to get a quote for a Qualified Project.
- Coordinates with Improvement Contractor to select Qualified Capital Provider to use for the project.

## Improvement Contractor

- Provides a quote and scope of work to the owner of a Qualified Property.
- Coordinates with Property Owner to select a Qualified Capital Provider to use for the project.

**Stage Completion Benchmark:** The Qualified Property Owner and/or the Improvement Contractor have approached a Qualified Capital Provider with a Qualified Project.

# Stage 2 – Establishing Compliance with Program Requirements

**Stage Prerequisites:** A Qualified Property Owner, an Improvement Contractor, and a Qualified Capital Provider have agreed to explore a Qualifying Project within the Program.

## Capital Provider

- Verify that a property is a Qualified Property.
- Verify that a project is a Qualified Project.
- Collect SIR Certification Document signed by a Technical Reviewer
- Obtain a signed Mortgage Lender Consent documents
- Obtain a Title Report for Qualified Property
- Obtain the current Tax Assessor property card
- Assemble all the requirements necessary to submit an application.
- Fill out Application Form, pay fee and submit application

## **Documents:**

- Application Form
- SIR Certification
- Title Report
- Qualified Capital Provider certification
- Mortgage Lender consent (if applicable)
- Current Tax Assessor Property Card

**Stage Completion Benchmark:** A completed application has been sent to Efficiency Maine

# Stage 3 – Approval by Efficiency Maine

**Stage Prerequisites:** An Application has been received by Efficiency Maine

## Efficiency Maine

- Review Application
- If accepted, Issues Notice of Approval to the Applicant
- If rejected, [Issue Notice of rejection] to the Applicant

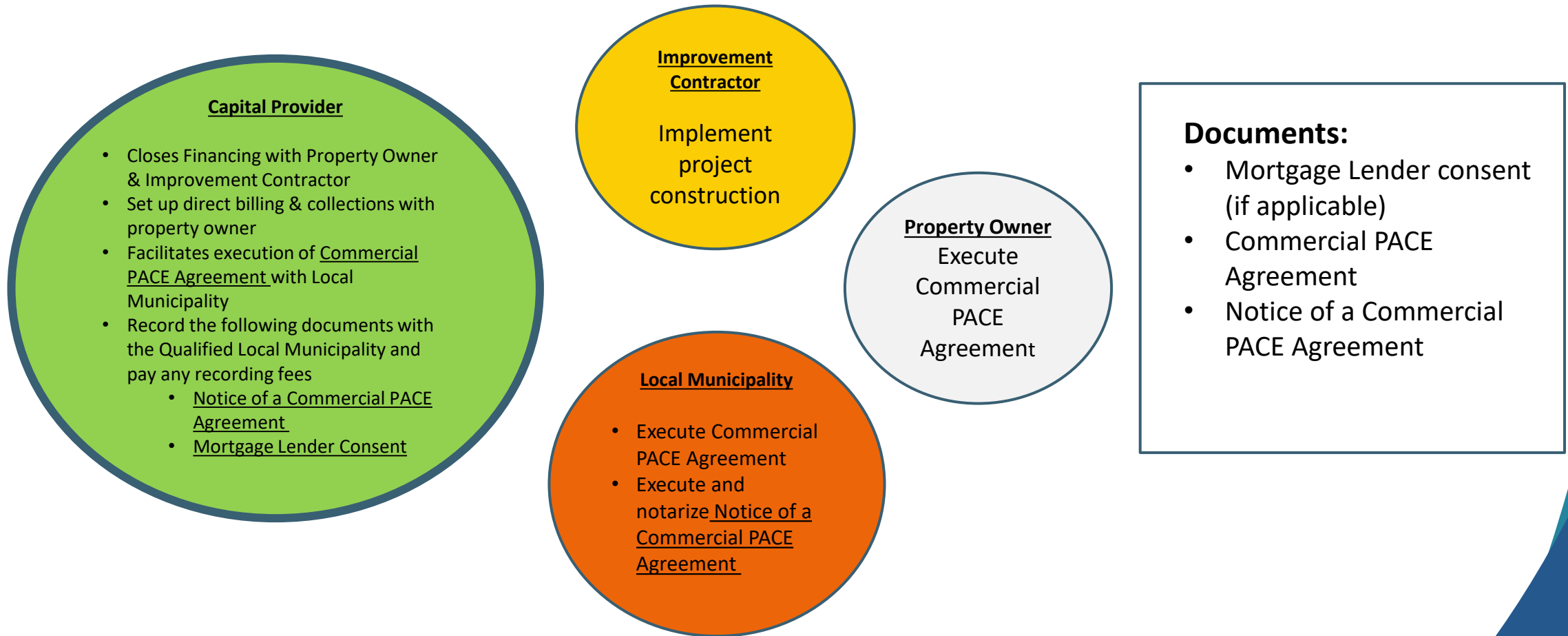
## **Documents:**

- Application Form
- Notice of Approval
- Notice of Rejection

**Stage Completion Benchmark:** A Notice of Approval has been issued from Efficiency Maine to the Applicant

# Stage 4 – Executing Agreements and Installing Improvements

**Stage Prerequisites:** Applicant has received [Notice of Approval](#)



**Stage Completion Benchmark:** Notice of a Commercial PACE Agreement has been Recorded

# Stage 5 – Project Complete

**Stage Prerequisites:** Notice of a Commercial PACE Agreement has been Recorded

## Property Owner

- Makes regular finance payments as agreed upon with Qualified Capital Provider

## Capital Provider

- Notifies Participating Municipality and Efficiency Maine C-PACE when all payment obligations have been made by the Property Owner

**Stage Completion Benchmark:** Participating Municipality has been notified that all payment obligations have been made by the Property Owner.

## Stage 6 – Finance Completion

**Stage Prerequisites:** Participating Municipality has been notified that all payment obligations have been made by the Property Owner.

### Local Municipality

- Remove any Liens related to the Program from the Property Record

**Stage Completion Benchmark:** Program-related Liens have been removed from the Property Record



# Transfer Process

**Transfer:** A C-PACE Assessment can be transferred to a new property owner

- If Property Owner sells or transfers a property with a C-PACE Lien, the buyer has two options.
  - The buyer may pay off the remaining payment obligations and remove the lien; or,
  - The buyer may take over the payment obligations of the lien.

# Process in the Event of Default

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

- If a C-PACE Assessment is delinquent AND tax debt is past due to the Participating Municipality then,
  - the statutory process provided in Title 36 M.R.S. §942 and §943 will be followed
  - Liens will be recorded and released in the same manner as liens for real property taxes.
- If only a C-PACE Assessment is delinquent, then
  - the Capital Provider, as C-PACE lienholder, will 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

# New Construction

A C-PACE assessment may be used to secure financing for the construction of a new building or facility. Financing secured by a C-PACE assessment for the construction of a new building or facility must be used for Energy Savings Improvements on the property that exceed the energy standards of the Maine Uniform Building and Energy Code. A C-PACE lender may disburse funds for new construction projects before project completion.

- In utilizing the C-PACE Program for new construction, the following requirements apply:
  - The project must meet all Maine C-PACE Project and Property Eligibility Requirements including an SIR Requirement of not less than 1.0;
  - Qualifying Projects may finance 100% of the Energy Savings Improvements so long as the Assessment does not exceed 35% of the Appraised Value;
  - The Appraised Value may be the “as built” Appraised Value
- A gut rehab or major renovation will be considered new constructions so long as the cost of the project exceeds 50% of the building's current Appraised Value prior to the renovation.

# SIR Requirements

**SIR (Savings-to-Investment Ratio):** ratio of the present value savings to the present value costs of an Energy Savings Improvement.

**Numerator:** present value of net savings in energy and non-fuel operation and maintenance costs attributable to the proposed Energy Savings Improvement.

**Denominator:** present value of the net increase in investment and replacement costs less salvage value attributable to the proposed Energy Savings Improvement.

## **SIR Requirements under Efficiency Maine's C-PACE Program:**

- Estimated SIR of not less than 1.0;
- SIR must be reviewed by a Technical Reviewer, who must:
  - **Sign an SIR Certification** indicating that they have reviewed and deemed the SIR calculation to be reasonable
  - Identify and provide the credentials of the Technical Reviewer
- SIR calculation must be sent to Property Owner and Capital Provider

*NOTE: 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.*

# SIR Requirements for New Construction

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 one or more of the following improvements:

- Building Envelope Improvements (e.g., Insulation & Air Ceiling)
- Heating & Cooling (e.g., Heat Pumps or VRFs)
- LED lighting for 100 percent of the facility's lighting needs
- Photovoltaic Solar Installations

**Please see Program Guidelines for full details on new construction measures.**

# Technical Review Requirements

**The calculation of the SIR must be reviewed by a Technical Reviewer, who must:**

- Sign an SIR Certification 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;
- 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;
- Indicate in writing, or by applying their stamp, the name, title, employer, place of business, and any relevant professional credentials of the Technical Reviewer; and,

## **Highlights:**

- The Technical Reviewer may be employed by a party involved in the project
- The Technical Reviewer does not have to perform the original calculations, they just need to certified they have reviewed them to the standard above

# Key Decisions

Topic	What questions or comments do you have regarding:
Eligibility	In underwriting, what is the appropriate way to characterize "appraised value" to determine loan-to-value and Assessment-to-value?
SIR	What is included in the numerator and denominator? What is the process for performing and certifying the estimate? What if any limit should we place on the Estimated Useful Life of the improvements?
New Construction	What is included/excluded from the prescriptive list of "Energy Savings Improvements" that Maine C-PACE will consider eligible? What is included/excluded from the SIR calculation? What are the pros and cons of using a prescriptive list of eligible measures versus a whole-building approach? Whether the project may use CPACE financing only for the net cost or the entire cost of the improvement(s)?
Assignment	What limitations, if any, should be placed on assignment of C-PACE loans and why?
General	Are there features of the program that are missing or require further clarification?

# Comments & Feedback

- Open Discussion
  - Reminder: Please keep feedback explicit and specific to the drafted materials related the program.

FOR FEEDBACK AFTER THE EVENT:

**Please Visit** <https://www.energymaine.com/maine-c-pace-stakeholder-event/>

**Submit a comment in the comment form**

The comment form will be open for comments until 5:00PM on the last day of August 2022