

C-Pace Program Executive Summary

C-PACE is an innovative clean energy financing tool that provides 100% upfront capital to property owners who want to upgrade their buildings with energy efficiency, renewable energy, resiliency, and storm water management improvements to commercial properties.

C-PACE programs allow a commercial property owner access to long-term financing (20-30 year terms) of the up-front cost of energy or other eligible improvements. C-PACE can be used for upgrading existing buildings including major renovations and adaptive reuse of underutilized buildings as well as new construction.

Eligible C-PACE properties include office, multi-family, industrial, retail, hotel, agriculture and nonprofit (i.e., churches). Examples of eligible projects can be heating and ventilation, lighting, water pumps, insulation, solar panels, motors, roof construction, and resiliency projects that reduce the impact to a building for water infiltration from flooding or wind-related events.

There are no dues or fees to opt into a C-PACE program, however there may be some initial costs associated with staff time, which are typically minimal.

The City does not provide financing for property owners. Property owners receive C-PACE financing through registered capital providers.

C-PACE loans are secured by a voluntary special assessment lien on the property, which automatically transfers upon sales or foreclosure.

A C-PACE assessment is a debt of the property, as the debt is tied to the property as opposed to the property owner(s). The C-PACE assessment has the same priority status as local property taxes.

Repayment and collections of a C-PACE loan is a special assessment and is billed as a line item on the real estate tax bill. Annual or semi-annual C-PACE repayment installments will be collected by the jurisdiction using their present tax collection process or request that the capital provider or Program Administrator (PA) perform some of these functions. Like any other tax, C-PACE assessment payments are a first and prior lien against the property.

In the event of delinquency or default the C-PACE assessment will be enforced in the same manner that a property tax lien against real property is enforced by the jurisdiction to the extent the enforcement is consistent with the laws of Virginia. Delinquent C-PACE installments will incur interest and penalties in the same manner as delinquent property taxes.

C-PACE Ordinance

The Commercial Property Assessed Clean Energy (“C-PACE”) Program permits localities to authorize contracts to provide loans to property owners for certain clean energy and related improvements. Loans may be issued to finance improvements that generate or promote clean energy, energy efficiency, water efficiency, resiliency, or stormwater management. Commercial properties and multifamily residential properties with five or more dwelling units are eligible to receive C-PACE loans. Loans may be originated by the locality or by a private lender, and may be serviced by the locality, the private lender, or a third-party loan servicer engaged by the locality. C-PACE loans are secured by a special assessment lien which is enforceable in the same manner as a lien for real property taxes. However, the special assessment lien only enjoys the same priority over other liens as real estate taxes if the holder of each other lien (like a deed of trust) agrees in writing to subordinate their interests to the C-PACE lien. Upon default, the City may foreclose on the lien itself, or assign the right to foreclose to the private lender who made the loan.

A number of localities have implemented C-PACE programs throughout the state. In South Hampton Roads, both Virginia Beach and Norfolk have enacted ordinances implementing the program.

The ordinance provides that all loans under the City of Chesapeake C-PACE Program will be originated by private “capital providers”; all fees associated with the program are paid by the borrower and rolled into the C-PACE loan balance. Accordingly, no public funds are expended, and the C-PACE program is budget-neutral from the City’s perspective. The City reserves the right to engage a third-party servicer to service the loans. Because this servicer would need to be competitively procured, the City could “piggyback” on another contract. Upon default, C-PACE liens may be enforced directly by the City or assigned to the capital provider in the City Manager’s discretion. A standard written agreement between the borrower, the City, and the capital providers binds the parties to these terms.

For additional information please go to: <https://virginiapace.com/>.