

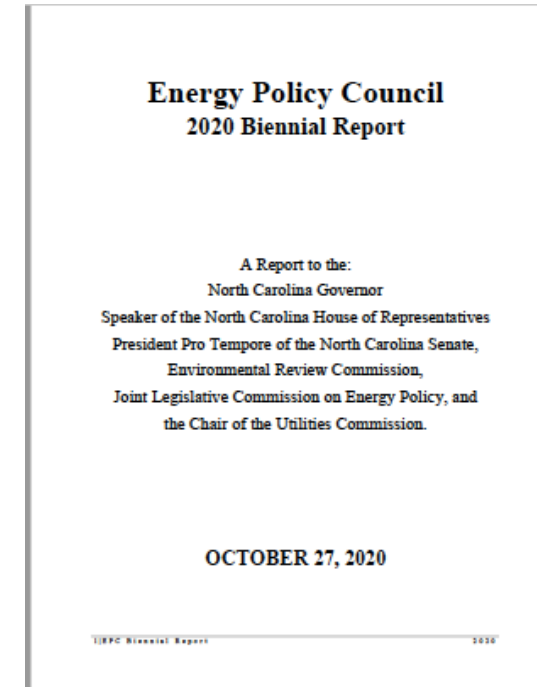
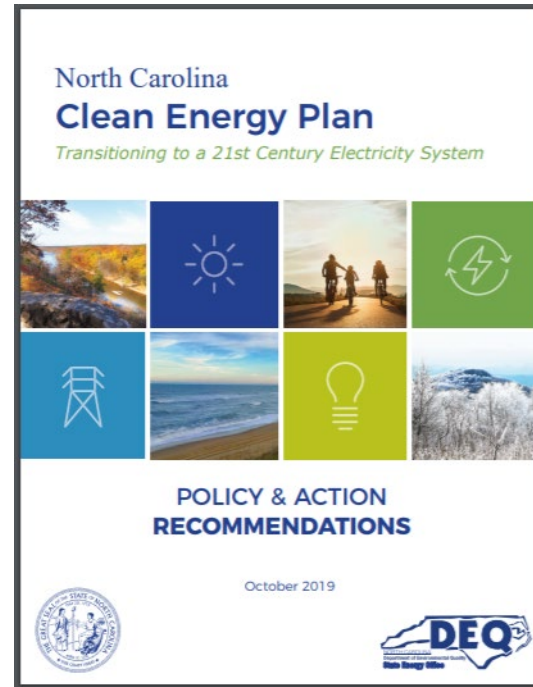


# *Commercial Property Assessed Clean Energy (C-PACE) Overview for Energy Policy Council*

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# Recommendations for C-PACE Financing



- Energy Policy Council Biennial Report in 2020 recommended consideration of C-PACE
- NC Clean Energy Plan in 2019 recommended enacting a statewide PACE plan



# *What is C-PACE Financing?*

- C-PACE is a financing mechanism that allows property owners to fund clean energy, energy efficiency and resilience improvements on private property.
- Enables property owners to pay the upfront costs of the improvements over a long period of time through a voluntary assessment attached to a property tax bill.
- What makes it unique is the assessment is attached to the property instead of the individual and stays with the property upon transfer of ownership.



# *C-PACE Benefits and Adoption*

## **Benefits**

- Allows for 100% financing with no upfront cash requirements for the property owner.
- Stimulates economic development and increases property values.
- The assessment charge may be partially or fully offset by the energy savings and lower energy bills resulting from the improvements.
- Market continues to grow. In 2018 the C-PACE annual investment was \$670 million nationally.

## **Adoption Nationwide**

- Utilized in over 25 states, including:
  - Virginia
  - Alabama
  - Florida
  - Texas
- Funds a variety of improvements:
  - energy efficiency
  - renewable energy
  - resilience
- Used for new and existing properties as well as multifamily housing.
- Utilizes Direct financing, not public debt.

# *National C-PACE Adoption*

**C-PACE is active in 25 states, with varying structures:**

## **Single Statewide Option**

- State has only one C-PACE program, which is administered at the state level (either by the state or 3rd party). Municipalities have the option to join the state program but can't create their own programs.
- Example: Connecticut

## **State and Local Option**

- Involves a statewide program that municipalities may opt into, but also allows municipalities to create their own programs or join other existing programs.
- Examples: New York, Florida, Michigan, Colorado

## **Local Option with Strategic State Support**

- The state does not create a statewide program but provides standards and model rules to localities that wish to create their own programs.
- Examples: Texas and Virginia

## **Local Option with Little or No State Support:**

- Localities take all the responsibility for PACE program development.
- Example: California

# *Florida C-PACE Program*

- State and Local Option: allows counties to “opt in” to a statewide PACE option, where an agency finances, and administers the program for the counties who opt in. Alternatively, local governments can create a C-PACE program of their own or join other multi-jurisdictional programs.
- Flexibility in administration, financing, and implementation.
- PACE programs can be administered by nonprofits, for profits, or the local governments themselves.
- PACE eligible projects can be financed by General obligation bonds, general revenue, revenue bonds, or even by outside entities (for profit or non-profit)
- Projects can include RE and EE improvements and storm hardening or resilience projects

# *Texas C-PACE Program*

- Established under PACE Act legislation in 2013 that requires a county or municipality (local government) to take four key steps in a prescribed order to establish a PACE program.
- PACE Act creates the statutory framework for PACE programs, and local governments have broad discretion in designing the specific attributes of their PACE programs.
- “PACE in a Box” toolkit designed by a Texas non-profit guides local governments and creates uniformity and standardization in the PACE process.
- Local governments can opt into a statewide program or create one of their own.
- Administered by the state (state option), a local government, or a 3rd party.

# *Virginia C-PACE Program*

- Local governments can opt into a statewide program or create one of their own.
- Administered by the state (state option), a local government, or a 3rd party.
- In 2019, VA Department of Mines, Minerals and Energy (DMME) was authorized through legislation to become a state “sponsor” to hire a program administrator to run day-to-day operations
- Money was put into 2021 budget for start-up funds for PACE administrator (\$50K per year starting July 2021 – June 2023). (Note: It can take up to 5 years for a program administrator to break-even.
- State process must be a competitive bid (required by state procurement)
- Preference for in-state organization that already has PACE expertise
- Virginia PACE Authority already exists (administrator for 4 local programs) but must respond to RFP to be considered as state administrator.





# *C-PACE Design for NC*

DEQ assembled a C-PACE Workgroup in July 2020 comprised of stakeholders from local governments, the business community, interest groups, and academia to bring experts and stakeholders to address barriers to C-PACE implementation and proposed a design for C-PACE in North Carolina.

The group developed a memo that serves as a policy brief on C-PACE financing and recommends design elements for a statewide C-PACE program in North Carolina.

Design approach to C-PACE addresses the following barriers:

1. The enforcement process for assessments
2. Local government responsibility and lack of a statewide administrator
3. Public debt or bonding requirement
  - C-PACE will utilize private debt not public debt
4. Public purpose authorization
5. Expired and outdated legislation

## *C-PACE Working Group Members*

<b><u>Participating Organizations</u></b>	<b><u>Participating Organizations</u></b>
NC Department of Environmental Quality	Grubb Properties
ACEEE	Halifax County
City of Charlotte	Live Oak Bank
City of Apex	Michael Yaki Consulting
City of Asheville	National Realty Advisors
Clean Energy Solutions	NC Building Performance Association (NCBPA)
City of Cary	NC Clean Energy Technology Center
City of Charlotte	NC Electric Cooperatives
City of Roanoke Rapids	NC Sierra Club
City of Wilmington	NC Sustainable Energy Association
Clean Energy Solutions	North Carolina Southern Environmental Law Center
CPACE Alliance	Roanoke Electric Cooperative
Duke University Nicholas Institute	UNC-Chapel Hill School of Government (UNC SOG)
Environmental Defense Fund/Cities Initiative	United Community Bank



# *Workgroup's Recommended Approach to C-PACE: Enable a Statewide Program*

1. An independent statewide C-PACE program with a 3<sup>rd</sup> party administrator
  - State Energy Office proposed to be the program sponsor responsible for overseeing the program and develop a process for selecting an independent 3<sup>rd</sup> party administrator
  - Local governments join the statewide program by passing a resolution.
2. Create a new voluntary C-PACE special assessment
  - The assessment has a senior lien status and “runs with the land”
  - Local governments execute and place the lien on the properties
  - Administrator records the assessment
  - No liability for debt on local government, only utilizes private funds
3. Property owners finance clean energy or resilience improvements over time via the C-PACE special assessment
  - Improvements are funded by private capital providers

## *Next Steps for the Workgroup*

- Finalize the program design memo and other informational items
- Answer questions raised by interested groups
- Respond to legislative inquiries and prepare legislative proposal

# *Follow Up and Questions*

NC C-PACE Fact Sheet and policy memo available on request

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