

# Commercial Property Assessed Clean Energy (C-PACE) Concept and Description

## Program Highlights

C-PACE stands for Commercial Property Assessed Clean Energy. Allowing C-PACE in Albemarle County will accelerate environmental improvements to new construction and existing buildings that reduce greenhouse gas emissions and enhance building resilience to climate change impacts. C-PACE will make it easier for local businesses and commercial property owners to make investments in three areas: energy efficiency, water conservation, and renewable energy. Projects could include installing solar panels, improving insulation, electrifying appliances, upgrading to energy-efficient windows and lighting, or automating building mechanical controls. A local business, for example, might use C-PACE financing to install rooftop solar panels or electric vehicle charging stations. Ultimately, the program will incentivize the private sector to participate in local climate action and realize savings on their energy costs.

## Program Background

C-PACE is one type of Property Assessed Clean Energy (PACE) program. PACE programs create a financing mechanism for clean energy, energy efficiency, and other environmentally beneficial investments made during new construction, renovations, and retrofits. These improvements reduce greenhouse gas emissions and strengthen resilience to climate change. Action B.3.3 in Albemarle County's Climate Action Plan (2020) recommends assessing the adoption of a local C-PACE program. (Currently Virginia only authorizes PACE for commercial buildings, which includes properties zoned for commercial use and eligible multifamily residential buildings.)

According to the US Department of Energy, "PACE programs allow a property owner to finance the up-front cost of energy or other eligible improvements on a property and then pay the costs back over time through a voluntary assessment. The unique characteristic of PACE assessments is that the assessment is attached to the property rather than an individual." More information about the concept and structure of PACE can be found at the US Department of Energy's website:

<https://www.energy.gov/eere/slsc/property-assessed-clean-energy-programs>.

PACE programs overcome two common obstacles to property owners making clean energy and energy efficiency improvements to their properties: (1) lack of financial capital to cover the up-front costs and (2) the payback period, or length of time between the up-front investment and when the improvements finish paying for themselves.

1. Because PACE functions similarly to a loan, the program provides the up-front financial capital that a property owner might not otherwise be able to access.
2. Because PACE payments are attached to the property rather than the individual (as in the case of a loan), property owners will realize the benefits of the improvements even if they sell the property before the investment's payback period.

Additionally, due to the high security of the repayment structure, PACE programs generally offer lower interest rates than a conventional loan, reducing the overall costs to the property owner.

## C-PACE in Virginia

In 2009 (with amendments in 2015), the Commonwealth of Virginia authorized localities to create local PACE programs for commercial properties (C-PACE). Early adopters included Arlington County, the City of Alexandria, and the City of Fredericksburg, among other localities.

In 2022, Virginia authorized the creation of a uniform statewide C-PACE program in which localities can participate after adopting a local ordinance. This statewide program allows localities to opt in and participate more easily, without having to undertake the same level of work involved in setting up their own local program.

The state program is administered by Virginia PACE Authority, a nonprofit entity that facilitates coordination between lenders and borrowers and handles payment processing. Therefore, the state program will lower the bar for entry for localities, financial entities, and end-users (i.e. businesses, building owners).

## Local Government Role

Virginia PACE Authority—the nonprofit administrator of the statewide program—will undertake most of the work to promote C-PACE opportunities, broker agreements, and manage program participation. Albemarle County attorneys have already completed the initial work to opt into C-PACE by customizing the model ordinance and program agreement documentation to be used by lenders and borrowers.

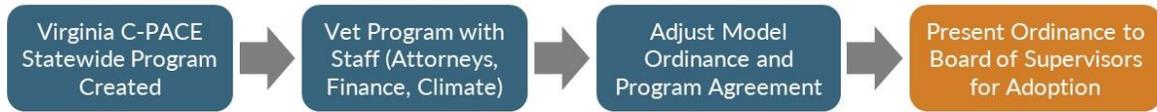
Once the program is created, ongoing work by County staff will be minimal (less than 20 hours per year, depending on the number of participants):

- Climate Protection Program staff will assist in periodic community education and promotion of the availability of C-PACE financing to eligible candidates.
- County Executive and Chief Financial Officer will co-sign each unique C-PACE Financing Program Agreement, along with the property owner and financial capital provider.

Other than the small amount of staff time expected to promote the program and sign paperwork, there is no cost to Albemarle County to operate the C-PACE program.

## Process Illustrations

### One-Time Setup Work



### Ongoing Work by Albemarle County Staff



### Overall C-PACE Process for Each Project

