

COMMERCIAL PROPERTY-ASSESSED CLEAN ENERGY FINANCING



# **PHILADELPHIA PROGRAM GUIDELINES**

This version of the Philadelphia C-PACE Program Guidelines was released on April 13, 2020 and supersedes the Program Guidelines released in October 2019. Any future updates will be similarly noted on the Program Guidelines cover page. Only the latest version of the Program Guidelines will be available on the [Philadelphia C-PACE website](#). A comparison to the previous guidelines is available on the Philadelphia C-PACE website. C-PACE projects are subject to the Program Guidelines in effect at the time of signing the project's Statement of Levy and Lien Agreement.

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# 1.0 Introduction

Pennsylvania authorized the creation of Commercial Property-Assessed Clean Energy finance programs with the passage of Act 30 of 2018 signed into law by Governor Tom Wolf on June 12, 2018 (collectively, “Pennsylvania C-PACE”). As a result, a Pennsylvania county or a municipality with an established community or economic development authority can establish a C-PACE program. No statewide program or administrator was assigned, and no startup funding was allocated.

With the leadership of Councilmember Derek Green (At-Large), Philadelphia City Council authorized C-PACE for the City of Philadelphia on June 20, 2019 and assigned the Philadelphia Energy Authority (“PEA”) as Program Administrator. The bill was signed into law by Mayor Kenney on August 14, 2019. The program (“Philadelphia C-PACE”) provides a financing tool for energy efficiency, renewable energy, and water conservation projects that generate measurable energy savings or reductions in water usage for commercial, agricultural, and industrial properties, per the Pennsylvania statute.

Philadelphia C-PACE is a completely voluntary program. It allows commercial property owners to obtain financing for eligible energy and water savings projects, typically through private capital providers, and to repay the financing through a special assessment similar to a property tax assessment.

PEA recognizes the value of having guidelines that are as uniform as possible statewide to allow capital providers and project developers to easily participate in C-PACE across the Commonwealth, ensuring that communities with smaller populations are not left out. To that end, PEA partnered with the Sustainable Energy Fund, Keystone Energy Efficiency Alliance, Pittsburgh Office of Sustainability and Pennsylvania Department of Environmental Protection to help create a standard set of Pennsylvania Program Guidelines and C-PACE documents. The coalition convened multiple workshops in 2018 and 2019, which included over 130 stakeholders. Draft Program Guidelines were available for public comment in late 2018.

PEA began with the Pennsylvania C-PACE program documents and made a few material changes in order to meet the unique circumstances of the City of Philadelphia. While the program requirements and processes in Philadelphia are very similar to those throughout the rest of the state, there are a few key differences. Some of the more significant differences in the Philadelphia Program include:

- Minimum C-PACE financing amount of \$100,000
- Requirement for Property Owners to submit a Diversity and Inclusion Plan demonstrating support for diverse and local contractors, partners and workforce
- Requirement for Property Owners to provide building performance information for the term of the C-PACE Financing in accordance with the Philadelphia Benchmarking Ordinance, which requires annual data submission to the Office of Sustainability through EPA’s Portfolio Manager tool, and the submission of annual production reports for energy generation projects.

The Philadelphia C-PACE Program utilizes the statewide C-PACE Capital Provider registration and database system maintained by the [Sustainable Energy Fund](#).

This document outlines the Program Guidelines for Property Owners, Capital Providers and Contractors participating in the Philadelphia C-PACE program. Prospective Philadelphia C-PACE program participants are encouraged to read these guidelines carefully prior to submitting a Pre-Application to ensure compliance with Philadelphia's specific provisions.

All questions related to the Philadelphia C-PACE program should be directed to PEA. Applicants are encouraged to ask questions before submitting the Pre-Application and Final Application. PEA welcomes the chance to provide preliminary feedback prior to official application submission.

### **Application Timeline / Key Dates**

- November 1 - Deadline to sign C-PACE Statement of Levy and Lien Agreement for a new C-PACE project, or to update the amortization schedule for an existing C-PACE project, in order to be included in December invoicing cycle
- December - PEA invoices Property Owners for annual C-PACE Special Assessment payments
- March 31 - C-PACE Special Assessment payments due
- April 1 - Payments considered past due and subject to a 1.5% penalty per month
- January - PEA to place lien on properties with overdue C-PACE Special Assessment payments from previous calendar year

The C-PACE program and C-PACE Special Assessment payment schedule follow the City of Philadelphia's real estate taxes and enforcement schedule. In the event the City changes its real estate tax schedule in a given year, the C-PACE repayment schedule will change accordingly.

### **Philadelphia C-PACE Contact Information**

Website	<a href="http://www.PhiladelphiaCPACE.org">www.PhiladelphiaCPACE.org</a>
PEA Website	<a href="http://www.philaenergy.org">www.philaenergy.org</a>
Email	<a href="mailto:CPACE@philaenergy.org">CPACE@philaenergy.org</a>
Phone	215-686-4483
Address	1400 JFK Blvd City Hall, Room 566 Philadelphia, PA 19107

From time to time, PEA will update the Program Guidelines and will publish updates to the website listed above. PEA welcomes stakeholder feedback on the Program Guidelines. Please submit any suggestions or comments to [CPACE@philaenergy.org](mailto:CPACE@philaenergy.org).

## 2.0 Definitions

**Alternative Energy Source** – A source of electricity generated by a means identified and defined in the [Pennsylvania Alternative Energy Portfolio Standard](#): solar photovoltaic, other solar electric, solar thermal, wind power, large-scale hydropower, low-impact hydropower, geothermal, biomass, biologically derived methane gas, fuel cells, waste coal, coal mine methane, demand side management (including energy efficiency technologies, load management or demand response technologies, and industrial by-product technologies), and distributed generation systems. In addition to these energy sources, the Program may recognize alternative energy sources not included in the Alternative Energy Portfolio Standards Act when approving project applications.

**Alternative Energy System**- Under the Pennsylvania C-PACE statute, energy generated from alternative energy sources as defined under Act 213 of November 30, 2004 (P.L.1672, No.213), known as the [Alternative Energy Portfolio Standards Act](#). In addition to these energy sources, programs may recognize alternative energy sources not included in the Alternative Energy Portfolio Standards Act when approving project applications.

**Assessment Lien** - An Assessment obligation, recorded with the title, that requires payment, including past due amounts, required future payments, and any interest or penalties thereon, which is (1) a first and prior lien against the real property on which the Assessment is imposed from the date on which the notice of contractual assessment is recorded and until the Assessment, interest or penalty is satisfied; and (2) shall have the same priority status as a lien for any other tax imposed by any agency, municipality or county of the Commonwealth and shall be treated as a tax imposed by any agency, municipality or county;

**Bond** - Under the Pennsylvania C-PACE statute, the term “bond” includes any public or private financing note, financing agreement, mortgage, loan, deed of trust, instrument, refunding note or other evidence of indebtedness or obligation used to finance a C-PACE Project.

**Business** - Under the Pennsylvania C-PACE statute, a corporation, partnership, sole proprietorship, limited liability company, business trust or other commercial entity including nonprofit entities.

**Class A Apprenticeship Program** - An apprenticeship program that is currently registered with and approved by the U.S. Department of Labor or the state apprenticeship agency and has graduated apprentices to journeyman status for two (2) of the past five (5) years. To permit development of recently registered programs, the graduation requirement shall not apply to an apprenticeship program registered since June 12, 2008 if the program provides apprenticeship training for a craft or trade by the U.S. Department of Labor or the state apprenticeship agency at the time the program was registered. Any program not required to meet the graduation requirements may, in addition to providing proof that it is currently registered with federal or state government, be required to provide evidence that the program is actively engaged in bona fide apprenticeship training activity.

**Clean Energy Project** - Under the Pennsylvania C-PACE statute, a project which does any of the following:

- (1) Replaces or supplements an existing energy system that utilizes non-renewable energy with an energy system that utilizes alternative energy;
- (2) Facilitates the installation of an Alternative Energy System in an existing building or a major renovation of a building;

- (3) Facilitates the retrofit of an existing building to meet high-performance building standards;
- (4) Installs equipment to facilitate or improve energy conservation or energy efficiency, including heating and cooling equipment and solar thermal equipment, in existing buildings and new construction.

**Completion Certificate** – A written acknowledgement by a Property Owner and an Independent Professional Inspector or building code official that the C-PACE Project was properly completed.

**C-PACE** – The acronym for Commercial Property-Assessed Clean Energy.

**C-PACE Capital Provider** – A financial institution or other entity that registers and is approved by the Sustainable Energy Fund to be added to the statewide Capital Provider database. This can include a property owner. See [Section 6.0](#) for registration requirements.

**C-PACE District** – The jurisdictional boundaries of the City of Philadelphia.

**C-PACE Financing** – A loan or other form of financing issued by a C-PACE Capital Provider to finance a C-PACE Project that is secured by a C-PACE Statement of Levy and Lien Agreement between the City of Philadelphia, Program Administrator, Property Owner and C-PACE Capital Provider.

**C-PACE Financing Agreement** – The agreement between the Property Owner and C-PACE Capital Provider that establishes the terms of a C-PACE Financing including the total financed amount, including all Direct Costs and financing costs, along with the terms of repayment. This agreement is an attachment to the C-PACE Statement of Levy and Lien Agreement for each C-PACE Project being financed.

**C-PACE Project** – The installation or modification of a permanent improvement affixed to real property that is an Energy Efficiency Improvement, Clean Energy Project, Water Conservation Project or Renewable Energy Improvement, which generates measurable energy savings, energy production or reductions in water usage. The installation must be performed by a Qualified Contractor, on a Qualified Property, located within a C-PACE District. The term includes installation of alternative energy-generating equipment affixed to the land or building.

**C-PACE Special Assessment** - A charge against the real property within a C-PACE District that includes all amounts owed to the C-PACE Capital Provider under a C-PACE Financing Agreement and all amounts payable to the Program Administrator and is collected by the Program Administrator. This use of the term “assessment” refers to the imposition of a tax-like payment obligation and does not refer to assessing or establishing the value of a property for taxation purposes.

**C-PACE Special Assessment Payment** – The Property Owner’s annual payment that includes principal and interest payments owed to the C-PACE Capital Provider under a C-PACE Financing Agreement and all amounts and fees payable to the Program Administrator in that calendar year.

**C-PACE Statement of Levy and Lien Agreement** – A contract entered into among the City of Philadelphia, Program Administrator, a C-PACE Capital Provider and a Property Owner to impose the C-PACE Special Assessment. This contract’s recordation with the Philadelphia Department of Records is a condition precedent to financial close of the C-PACE Financing.



**Direct Costs** - All Energy Conservation Measure direct costs necessary to complete the installation of a C-PACE Project, such as the installation/construction contract amount (materials and labor) and any required ancillary costs incurred in order to complete the installation of an Energy Conservation Measure.

**Eligible Property** – Any Property located in the C-PACE District that is utilized for general commercial or nonprofit purposes such as, but not limited to, retail, industrial, office, agricultural, and hospitality uses. The term “commercial” is used throughout this document to refer to any of the eligible property types above. Eligible Property does not include any type of government-owned property. Residential properties including multifamily housing are also ineligible. However, if a mixed-use property has a separate Philadelphia Office of Property Assessment (“OPA”) Account number for the commercial portion of the building, that commercial portion of the building is considered an Eligible Property. See [Section 4.1](#) for more details.

**ECM Survey** – An evaluation of the Energy Conservation Measures proposed for the C-PACE Project conducted by a Qualified Engineering Professional in compliance with [Section 4.3](#).

**Energy Conservation Measure (ECM)** – The installation or modification of a permanent improvement fixed to real property that is a clean energy project, water conservation project or alternative energy system, which generates measurable energy savings or reductions in water usage and the installation is performed by a qualified party in the C-PACE District. The term includes installation of alternative energy-generating equipment affixed to the land or building. The types of projects vary, but usually are designed to reduce the carbon intensity and/or utility and/or fuel costs. The aim of an ECM should generally be to achieve savings by reducing the amount of energy or water used by a particular process, technology or facility, or eliminating the use of a fossil fuel.

**Energy Efficiency Improvement** - Equipment, devices, or materials intended to decrease energy consumption or promote a more efficient use of electricity, natural gas, propane, or other forms of energy on a property, including, but not limited to the following:

- 1) Insulation in walls, roofs, floors, foundations, or heating and cooling distribution systems
- 2) Storm windows and doors, multi-glazed windows and doors, heat-absorbing or heat-reflective glazed and coated window and door systems, and additional glazing, reductions in glass area, and other window and door system modifications that reduce energy consumption
- 3) Automated energy control systems
- 4) High efficiency heating, ventilating, or air-conditioning and distribution system modifications or replacements
- 5) Caulking, weather-stripping, and air sealing
- 6) Replacement or modification of lighting fixtures to reduce the energy use of the lighting system
- 7) Energy recovery systems
- 8) Lighting controls and daylight harvesting systems
- 9) ECMs included in the Pennsylvania Public Utility Commissions Technical Resource Manual or one of the other resources listed in Section 4.2
- 10) Other ECMs that increase Energy Efficiency, as approved by the Program Administrator

**Final Application (“Application”)** – The application to participate in Philadelphia C-PACE and receive a C-PACE Financing that confirms the Applicant meets all the requirements set forth in the Program Guidelines. Approval of the Final Application by the Program Administrator is required



prior to signing the C-PACE Statement of Levy and Lien Agreement and closing a C-PACE Financing transaction.

**Financial Institution** - Under the Pennsylvania C-PACE statute, a “financial institution” includes any person who in the ordinary course of business extends credit based on a lien, mortgage or security interest in real property or an encumbrance of real property or relies upon a lien, mortgage or security interest in real property or an encumbrance of real property to secure a current, contingent or future payment obligation. The term includes, but is not limited to, the following:

- 1) A bank, savings association, trust company, credit union or a subsidiary or affiliate of a bank, savings association, trust company or credit union
- 2) A person engaged in the mortgage lending business subject to or exempt from licensing under 7 Pa.C.S. Ch. 61 (relating to mortgage loan industry licensing and consumer protection)
- 3) A person subject to or exempt from licensing under the act of February 19, 1980 (P.L.15, No.9), known as the Real Estate Licensing and Registration Act
- 4) A person registered as a management company or unit investment trust or treated as a business development company under the Investment Company Act of 1940 (54 Stat. 789, 15 U.S.C. § 80a-1 et seq.) or is excluded from registration under the Investment Company Act of 1940
- 5) An insurance company
- 6) A pension or employee health and welfare fund
- 7) An association engaged in construction or the development or improvement of real property
- 8) A condominium or cooperative association or planned community association
- 9) A Federal, State or local agency, authority or an instrumentality of a government entity that is engaged in the financing or supports the financing of real estate development or the purchase or improvement of real estate

**Local Financing** - Under the Pennsylvania C-PACE statute, a bond provided or facilitated by a county, municipality district, economic development corporation, related authority or any government-sponsored entity. This term does not include general obligation bonds.

**Mortgage/Lien Holder Consent** – The written consent of the existing holder(s) of a mortgage, real property lien, security interest, or other encumbrance that secures a payment obligation on the Eligible Property of an applicant, which is a precondition to closing on a C-PACE Financing.

**Notice of Philadelphia C-PACE Approval** – This is a notice provided to the Property Owner by the Program Administrator that signifies that the Final Application is complete and has been approved by the Program Administrator. Following receipt of this notice, the Property Owner may enter into a C-PACE Statement of Levy and Lien Agreement and close its C-PACE Financing.

**Owner Financing** - Under the Pennsylvania C-PACE statute, a C-PACE Financing provided by a Property Owner or a third-party provider. This term may include a Power Purchase Agreement.

**Pennsylvania C-PACE** – The C-PACE program authorized by the Pennsylvania legislature under [Pennsylvania Public Law 198 No. 30](#).

**Pennsylvania C-PACE Statute** – [Pennsylvania Public Law 198 No. 30](#), as amended. Act 30 signed by Governor Tom Wolf on June 12, 2018 enabling a Commercial Property-Assessed Clean Energy Program in Pennsylvania. The statute requires that counties, or municipalities with a

community or economic development department individually authorize C-PACE programs in their jurisdictions.

**Philadelphia C-PACE** – The C-PACE program authorized in the City of Philadelphia pursuant to [Ordinance No. 190412](#). Philadelphia C-PACE is administered by the Philadelphia Energy Authority and its requirements are outlined in this document.

**Philadelphia C-PACE Statute** – [Philadelphia Ordinance No. 190412](#) signed by Mayor Jim Kenney on August 14, 2019 enabling a Commercial Property-Assessed Clean Energy Program in Philadelphia.

**Philadelphia Energy Authority (PEA)** – An independent municipal authority established by Philadelphia City Council. PEA is authorized to facilitate, develop and finance energy efficiency, storage and generation projects; to purchase or facilitate energy supply and energy services on behalf of the City of Philadelphia, government agencies, institutions and businesses; to educate consumers; and promote the clean energy sector by undertaking efforts to strengthen the energy efficiency, storage and generation markets in Philadelphia. PEA is the Program Administrator for Philadelphia C-PACE, as assigned in the Philadelphia C-PACE Statute.

**Power Purchase Agreement** -- A financial arrangement in which a third party owns, operates and maintains an energy generation system for a Property Owner, and the Property Owner purchases power from the third party at agreed-upon rates.

**Pre-Application** – The initial application completed by an applicant so that the Program Administrator can determine whether the proposed project is eligible and that the applicant is aware of the program requirements. Approval of a Pre-Application is a requirement prior to Final Application submission.

**Program Administrator** – The Program Administrator is responsible for marketing the program, approving C-PACE Projects via the Pre-Application and Final Application, coordinating servicing of C-PACE Financing repayment and enforcement of the C-PACE Statement of Levy and Lien Agreement. PEA is the Program Administrator for Philadelphia C-PACE.

**Program Fees** – Fees charged by the Program Administrator in relation to the execution of a C-PACE financing project within the City of Philadelphia. Fees are discussed in detail in [Section 7](#).

**Project Center** – The web-based portal used by Property Owners and other stakeholders in a C-PACE Project to submit and manage applications for C-PACE Financings.

**Property-Assessed Clean Energy Program** – Under the Pennsylvania C-PACE statute, a means of financing qualified C-PACE Projects in a district through a C-PACE Special Assessment. This definition is referred to as the Philadelphia C-PACE Program in the Program Guidelines.

**Property Owner** – A business, individual, organization or investor that is the owner of an Eligible Property located in a C-PACE District that meets the eligibility requirements set forth in the Program Guidelines.

**Qualified Contractor** – A business or organization that meets all standards defined for a Qualified Contractor and agrees to adhere to the required terms and conditions of participation in the Philadelphia C-PACE program as described in [Appendix H](#).

**Qualified Engineering Professional** - A professional who meets or exceeds the qualifications to perform an ECM Survey. The professional can be a third-party firm or a contractor with appropriately licensed professionals on staff. The minimum qualifications include at least one of the following certifications:

- 1) Certified Building Energy Assessment Professional (BEAP) (offered by ASHRAE)
- 2) Certified Energy Auditor (CEA) (offered by Association of Energy Engineers [AEE])
- 3) Certified Energy Manager (CEM) (offered by AEE)
- 4) Certified High-Performance Building Design Professional (HBDP) (offered by ASHRAE)
- 5) Certified Measurement and Verification Professional (CMVP) (offered by AEE and Efficiency Valuation Organization)
- 6) Licensed Professional Engineer (P.E.)
- 7) Investor Confidence Project (ICP) Quality Assurance Assessor
- 8) Investor Confidence Project (ICP) Project Developer
- 9) Certified Passive House Consultant (CPHC)

**Qualified Inspector** – An Independent Professional Inspector or a building code official who certifies completion of a Clean Energy Project or Water Conservation Project.

**Real Property** – Any agricultural, commercial or industrial land or building owned by an individual, partnership, limited liability corporation, corporation or nonprofit organization. This term is used synonymously with Property in these Program Guidelines. Note that Pennsylvania C-PACE prohibits C-PACE financing for multifamily and residential properties.

**Renewable Energy Feasibility Survey** – A survey that provides technology and financing recommendations for the installation of a Renewable Energy Improvement. The survey must be performed by a renewable energy expert with detailed knowledge of the Renewable Energy Improvements under consideration in compliance with [Section 4.3](#).

**Renewable Energy Improvement** – The fixtures, products, devices, and interacting groups of fixtures, products, or devices that are parts of an Alternative Energy System and use one or more Alternative Energy Sources.

**Water Conservation Project** - A project that reduces the usage of water or increases the efficiency of water usage and is compliant with [Section 4.3](#).

## 3.0 Program Administrator

The Pennsylvania C-PACE Statute identifies certain responsibilities and functions for a C-PACE Program Administrator. They include:

- Ensure that C-PACE Projects comply with the requirements of the ordinance or resolution that established the C-PACE Program for the City of Philadelphia;
  - Require all Clean Energy Projects to comply with national energy efficiency standards
  - Develop criteria and procedures to determine the eligibility of real property and Property Owners for participation in a Program
  - Other measures needed to ensure that a Program is effective, efficient and fair to Property Owners
- Ensure that Mortgage/Lien Holder Consent has been received on an Eligible Property that will be subject to the C-PACE Statement of Levy and Lien Agreement.
- Ensure that for each proposed C-PACE Project, the Property Owner provides a qualified scope of work, energy baseline or water usage baseline and the projected energy savings or water usage reductions in order to establish the viability of the qualified C-PACE Project and the projected energy savings or water usage reductions.
- Obtain verification of completion of all C-PACE Projects, acknowledged by the Property Owner and a licensed independent inspector or building code official.
- Post online and make available to the public certain information about each closed C-PACE Project including:
  - The legal description of the property
  - The name of each property owner
  - The total amount of the qualified C-PACE Project and a complete description of the Project
  - The assessment needed to satisfy the C-PACE Financing
  - A reference to the statutory assessment lien provided under the Pennsylvania C-PACE Statute
  - The financing rate, the total amount of the C-PACE Financing and any associated financing charges
- Ensure that proceeds from C-PACE Financings are attributable to qualifying expenses

The Philadelphia C-PACE Program Administrator is the Philadelphia Energy Authority (“PEA”), as designated by the City of Philadelphia in the Philadelphia C-PACE Statute. The City and PEA entered into an Intergovernmental Agreement to this effect and the agreement is available on the [Philadelphia C-PACE website](#).

To facilitate the obligations listed above, the Program Administrator’s role includes but is not limited to:

- Maintaining Program Guidelines and updating them as needed
- Evaluating Pre-Applications and Final Applications to ensure compliance with the Program Guidelines, Pennsylvania C-PACE Statute and Philadelphia C-PACE Statute
- Facilitating the C-PACE Statement of Levy and Lien Agreement for each project to ensure that the responsibilities are clear for the Property Owner, C-PACE Capital Provider, the City of Philadelphia, and Program Administrator
- Deed recordation of the C-PACE Statement of Levy and Lien Agreement and related documents

- Coordinating invoices to Property Owner for C-PACE Special Assessment Payments  
Monitoring and confirming proper handling of payment processing, distributions to Capital Provider and payment of program fees
- Enforcing a lien on the C-PACE Property if the Property Owner is delinquent on C-PACE Special Assessment Payment(s)
- Monitoring and confirming proper handling of lien issuances and lien payments
- Initiating Sheriff's Sale process to satisfy a lien on property, at the request of the Capital Provider
- Maintaining ongoing oversight of C-PACE Projects through monitoring of compliance with the City's annual benchmarking requirements
- Marketing the C-PACE Program
- The ongoing education of Property Owners, contractors, financial institutions, C-PACE Capital Providers, mortgage lenders and other related parties regarding the program, its guidelines and method for project approval

The Program Administrator may subcontract some or all of these functions at its discretion.

## 4.0 Eligibility Requirements

### 4.1 Eligible Properties

#### **Eligible Property Types**

Philadelphia C-PACE is currently available to commercial properties (office, retail, warehouse, medical, nursing homes, hospitality, agricultural, industrial, and vacant land, among others). Eligible properties may be owned by non-governmental, tax-exempt organizations that operate facilities such as community centers, hospitals, theaters, schools, religious facilities, etc. Eligible properties must have or be able to procure an OPA Account number.

If a mixed-use building has separate OPA Account numbers for its residential and commercial components, the commercial portion of the building is eligible for C-PACE. If a property owner currently has a mixed-use building with one OPA Account number, please contact the [Philadelphia Office of Property Assessment](#) to learn how to obtain separate OPA Account numbers for the commercial and residential portions.

C-PACE projects that are in the commercial portion of the mixed-use building and exclusively serve the commercial occupants are eligible for C-PACE funding under the Philadelphia program.

C-PACE projects that are physically located within the commercial portion and partially serve the commercial portion but also partially serve the residential/multifamily portion of the building are also eligible for C-PACE financing. In this instance, the cost of the C-PACE project should be apportioned in accordance with the percentage of the project's output or efficiency being used by the commercial tenant compared to the total output or efficiency of the project. Property Owners may choose to do this allocation based on square footage or some other defensible measure. For example, in the case where 40% of the output from an HVAC system installed in the commercial portion of a mixed-use building is used by the commercial tenant and 60% of the HVAC system's output is used by the residential tenants, then 40% of the cost of the HVAC system would be C-PACE-eligible because it is serving the commercial tenant and located in the commercial space.

Systems that are located in the residential space and serve the commercial and residential tenants are not eligible for the Philadelphia C-PACE program because the commercial property owner would not have the ability to do an assessment-based financing on the portion containing the installed system. For example, if a mixed-use building's HVAC system is located in the residential portion, it is not C-PACE eligible. However, any ductwork and other system components that are located in and serve the commercial space are eligible.

#### **Ineligible Property Types**

Multi-family, residential housing and government-owned buildings are not allowed under the program.

#### **Eligible Property Location**

To be eligible, the Property must be within the City of Philadelphia.

#### **Multiple OPA Account Numbers**

Buildings with multiple OPA Account numbers require additional documentation and underwriting. For C-PACE Projects that encompass multiple OPA Account numbers, the C-PACE Financing Agreement will include: 1) a description of the method used to split the Payment between the

parcels; 2) a list of lots, blocks, tracts, and parcels of land in the City of Philadelphia related to the OPA Account numbers used in the C-PACE project; and 3) the amount assessed with respect to each OPA Account number. The Program Administrator reserves the right to deny buildings with multiple OPA Account numbers if either single or combined OPA Account numbers do not meet lien-to-value underwriting criteria for the C-PACE Project. See [Section 4.4.2](#) for more details.

## 4.2 Eligible C-PACE Projects

Renovations and redevelopment of existing Properties can qualify as C-PACE Projects. New construction C-PACE Projects are also eligible; see additional details in [Section 4.3.1c](#). All projects must meet the following criteria:

- The C-PACE Financing amount shall adhere to the requirements described in [Section 4.4](#) below.
- ECMs must be permanently affixed to the Real Property, and the Property Owner must leave the improvements with, affixed or attached to the property during the term of the C-PACE Statement of Levy and Lien Agreement.
- ECMs must be supported by a survey of the existing (or, in the case of new construction, expected) water and/or energy usage and a calculation of the expected financial and energy/water savings and/or generation to be realized following installation of the approved C-PACE Project (see additional details in [Section 4.3](#) below). Examples of eligible ECMs may be found in a list in [Appendix C](#) of these Program Guidelines. This list of ECMs is not exhaustive, and contractors and Property Owners are encouraged to propose ECMs not included in the list that permanently reduce energy and/or water consumption.
- Project ECMs must meet one of the following criteria:
  - Measures listed in Pennsylvania's Public Utility Commission's Technical Resource Manual
  - Measures listed in the NYSEERDA's Technical Resource Manual
  - Measures identified as being eligible for utility incentive programs
  - Energy efficiency products certified by Energy Star that are permanently affixed to the land or building
  - Products on the list of Energy Efficient Equipment published by the Consortium for Energy Efficiency, Inc.
  - Energy efficiency products certified by the Federal Energy Management Program
  - Achieve an energy and/or water reduction for a single ECM or group of ECMs above baseline
  - A renewable energy generation project
  - Stormwater management projects that meet the definitions of Energy Efficient Improvement or Water Conservation Project
  - Other measures not identified by one of the above listed standards and approved by the Program Administrator.
- C-PACE Projects may qualify for and receive additional rebates and incentives from Electric Distribution Companies (EDCs) through the [Act 129 Energy Efficiency and](#)



[Conservation](#) program, water conservation programs and other sources. Applicants are encouraged to obtain all applicable government, utility provider or manufacturer rebates.

- Stormwater management projects *that meet the definitions of Energy Efficient Improvement or Water Conservation Project are also eligible for the C-PACE Program.* For example, in addition to managing stormwater, green roofs provide energy efficiency via additional insulation on the building. Projects that capture stormwater to reduce the building's water usage or increase the building's water efficiency would also be eligible. It is recommended that Property Owners discuss possible projects with PEA and the Philadelphia Water Department to confirm eligibility. Some stormwater management projects may also be eligible for [grant funding from PWD](#).

## 4.3 Survey Requirements

The Pennsylvania C-PACE Statute states that a "program shall require for each proposed qualified project a scope of work, energy baseline or water usage baseline, and the projected energy savings or water usage reductions in order to establish the viability of the qualified project and the projected energy savings or water usage reductions."

To implement this provision, Philadelphia C-PACE program requires that a Property Owner obtain an ECM and/or Renewable Energy Feasibility Survey, performed by a Qualified Engineering Professional or qualified renewable energy provider. The cost of the Survey, as well as the cost of any other third-party review of the Survey may be included in the C-PACE Financing amount.

### 4.3.1 ECM Survey

The ECM Survey for Energy Efficiency, and/or Water Conservation projects must address the following components and information, as applicable:

- Written description of the proposed project;
- Expected annual energy savings (BTUs), electrical demand reduction (kW), water savings (CCF), renewable energy capacity (kW), renewable electrical production (kWh) and operational cost (\$) savings. Evaluation of savings may need to include weather normalization, where applicable;
- Estimate of the useful life of each ECM. Cut sheets supporting useful life;
- The total project capital cost required for each ECM including soft costs;
- Operating cost assumption(s);
- Clear and logical step-by-step calculations detailing the estimated annual energy savings, peak electrical demand reduction, and/or water usage and cost reductions.
- Must be detailed and orderly enough that the Program Administrator can follow the calculation process without prior knowledge of the project;
- Document assumptions and inputs to calculations (e.g., hours of operation, load factors, power factor, motor efficiencies, etc.) and use consistent calculations throughout (as appropriate);
- Key numbers should be easily identifiable (circled, bold, highlighted, etc.) with correct units shown;
- The ECM Survey should also include:
  - Page numbers, especially if needed to reference numbers on other pages;
  - A copy of proposed relevant equipment specs, data sheets, etc.;

- At least twelve consecutive months, when available, of most recent historical electric, natural gas and/or water consumption for the account(s) affected by the project; this may be presented in the form of utility bills or a spreadsheet compilation of historical energy and/or water data. If other energy providers are relevant to the project (examples: propane, fuel oil, district steam), that historical information should be provided as well.
- Building must be established in Energy Star [Portfolio Manager](#). C-PACE Property Owners are required to report and disclose energy and water usage to the City of Philadelphia on an annual basis through the City's benchmarking program. Details on compliance deadlines and links to reporting templates can be found on the [Philadelphia Office of Sustainability website](#). For detailed information on how to submit data to the City of Philadelphia once it is entered in Portfolio Manager, please see this [Reporting Guide](#).
- For any C-PACE Projects consisting of Renewable Energy Improvements, Property Owners must submit to the Program Administrator an annual comparison of the actual production and expected production. The data submission deadline is June 30 in each calendar year.

The Qualified Engineering Professional will use generally acceptable engineering calculations or a building energy model in a DOE Qualified Software for Calculating Commercial Building Tax Deductions. Refer to the [Department of Energy website](#) for a list of qualified software.

### **Baseline for Improvements to Existing Buildings**

For C-PACE projects in existing buildings, all ECM Surveys shall assess the existing conditions of a building to establish the baseline level of energy and water usage against which the performance of the ECMs will be measured. Existing conditions may be determined based on nameplate efficiency ratings of currently installed equipment. Alternatively, the Qualified Engineering Professional may use modeled energy performance of the building or other professionally accepted methods of establishing energy and water efficiency performance of the existing building. The Program Administrator will review the ECM Survey submitted with the application materials and submit any follow-up questions to the applicant's project team. Please see below for information on Substantial Renovation / Gut Rehab projects.

### **Qualified Engineering Professionals**

All ECM Surveys for projects that include Energy Efficiency Improvements and/or Water Conservation Projects must be prepared and submitted by a Qualified Engineering Professional who holds at least one of the following certifications or licenses:

- Certified Building Energy Assessment Professional (BEAP) (offered by ASHRAE)
- Certified Energy Auditor (CEA) (offered by Association of Energy Engineers (AEE))
- Certified Energy Manager (CEM) (offered by AEE)
- Certified High-Performance Building Design Professional (HBDP) (offered by ASHRAE)
- Certified Measurement and Verification Professional (CMVP) (offered by AEE and Efficiency Valuation Organization)
- Licensed Professional Engineer (P.E.)
- Investor Confidence Project (ICP) Quality Assurance Assessor
- Investor Confidence Project (ICP) Project Developer
- Certified Passive House Consultant (CPHC)

The Qualified Engineering Professional can be employed by a participating contractor on the project or can be an independent firm retained by the applicant or the applicant representative. The name, firm name, contact information and credentials of the Qualified Engineering Professional shall be included in the ECM Survey.

Recognizing that not all Property Owners are familiar with Qualified Engineering Professionals capable of producing an ECM Survey, the Program Administrator is accepting self-certification from Qualified Engineering Professionals who would like to be listed on the Philadelphia C-PACE website as possible resources for Property Owners seeking an ECM Survey. Qualified Engineering Professionals may fill out a self-certification [form here](#), and once accepted by the Program Administrator, will be listed on the Philadelphia C-PACE website. The Program Administrator does not verify, vet, endorse, or rank Qualified Engineering Professionals.

### Guidelines

The ECM Survey can follow:

- ASHRAE Energy Audit standards as defined by ANSI/ASHRAE/ACCA Standard 211-2018;
- Pacific Northwest National Laboratory, [A Guide to Energy Audits](#), PNNL-20956;
- [Investor Confidence Project \(ICP\)](#) Investor Ready Energy Efficiency (IREE) Certification. An IREE certification is an acceptable alternative to an ECM Survey;
- [Pennsylvania EDC](#) based energy reduction worksheets.

The ECM Survey does not have to be comprehensive if only a limited set of measures are being considered. For example, a project limited to upgrade of lighting would not require an extensive analysis of HVAC and envelope systems.

#### 4.3.1a Water Conservation Project Survey

For C-PACE Projects limited to water savings, the ECM Survey must also document assumptions and inputs to calculations (e.g., flow rates, estimated monthly usage) in addition to the information summarized above in [Section 4.3.1](#). The Qualified Engineering Professional preparing this survey must provide reference to his/her water-specific qualifications in Final Application.

### Baseline for Existing Buildings

The Qualified Engineering Professional shall establish the correct baseline for the applicable water reduction measure and document the source in the ECM Survey.

### Guidelines

- EPA Watersense [specifications for residential and commercial water-using fixtures and appliances](#).
- Additional national or state standards, which should be referenced.

#### 4.3.1b Renewable Energy Feasibility Survey

For all C-PACE Projects that include a Renewable Energy Improvement, the Property Owner must submit a Renewable Energy Feasibility Survey, which should address the following components:

- Site ambient conditions;

- Location for the Renewable Energy Improvement;
- Energy system foundation;
- Building characteristics;
- Utility consumption profile of the site, including the site's historic energy use and cost;
- Description of the proposed Renewable Energy Improvement;
- Projected annual energy production;
- Projected energy cost and levelized financial cost inclusive of financing of energy to be generated by the Renewable Energy Improvement, including assumptions affecting the levelized cost;
- Weighted cost of energy saved and generated by the project;
- Breakdown of cost savings to be realized, if any;
- Utility tariff to be applied to the site and/or system following installation;
- Utility escalation rate assumptions;
- Tax benefits;
- Expected Useful Life of the Renewable Energy System;
- Maintenance expenses;
- Alternative Energy Credits (AECs) or other ongoing sources of revenue as applicable.
- Survey of total project capital cost, utility tariffs, and interconnections issues, including analysis of impacts of surplus energy generation by the Renewable Energy Improvement;
- Identification of an appropriate commissioning plan for monitoring the system functionality and performance;
- Verification of the availability of net metering if the system generates excess power that is delivered to the utility grid at any time. Systems are not required to be grid connected.

The Renewable Energy Feasibility Survey should be prepared based on the Property Owners' intended use of the Renewable Energy Improvement. Allowable uses of a Renewable Energy Improvement include:

- Generation of electricity to supply the on-site demand of the Property Owner;
- Export of electricity to a utility provider;
- Sale of the electricity through the use of a Power Purchase Agreement (PPA) or similar agreement format approved by the Program Administrator, or a
- Combination of the three above options;
- Production of clean heat or power by use of a renewable energy source such as biomass or biogas.

Power Purchase Agreement must be structured using a "prepaid PPA" model. Under this model, the C-PACE financing is used to prepay approximately 90% of the total cumulative contracted energy payments under the PPA.

The Program Administrator reserves the right to waive one or more required components of the Renewable Energy Feasibility Survey.

### **Baseline**

The energy generation baseline for all Renewable Energy Improvements is assumed to be zero energy generation; provided, however, if a Renewable Energy Improvement

is a replacement of an existing renewable energy system, the Renewable Energy Survey provider shall establish the baseline using performance and/or nameplate ratings of the existing system.

### **Qualified Professionals**

All Renewable Energy Feasibility Surveys must be prepared by a qualified professional who has demonstrated experience in developing renewable energy projects. These credentials may include a P.E., ICP Project Developer, a NABCEP-certified PV design professional, UL-certified PV installer or professional who has demonstrated experience developing commercial solar PV projects.

#### **4.3.1c New Construction/ Substantial Renovation Project Survey**

C-PACE Financing is available for the construction of new buildings as well as the substantial (gut) renovation or adaptive reuse of existing buildings. Per the Pennsylvania C-PACE Statute, an ECM Survey is required for both these project types to establish the energy or water usage baseline and document the estimated energy or water use reductions over that baseline.

### **New Construction**

New construction projects that exceed the minimum code requirements in Philadelphia (IECC-2018) are eligible for C-PACE Financing. One hundred percent (100%) of the cost of the outlined ECMs will be eligible including soft costs.

The ECM Survey for a new construction project may demonstrate expected energy and/or water savings over this baseline in one of two ways:

- New construction ECM Surveys may itemize energy- or water-related measures that are included in one of the above-listed standards. The ECM Survey must describe each ECM's characteristics and provide supporting documentation showing the extent to which each ECM exceeds minimum code requirements using [the prescriptive path to code compliance per the 2018 International Energy Conservation Code \(IECC\)](#). One hundred percent (100%) of the C-PACE Project Costs of each water or energy related measure that demonstrably exceeds minimum code requirements can be financed through C-PACE.
- New construction ECM Surveys may demonstrate overall savings on a whole building level, following a methodology consistent with [ASHRAE 90.1 Appendix G guidelines](#). Estimated whole building energy savings above minimum baseline should be calculated using a DOE-approved building energy modeling software or detailed engineering calculations. Building-level savings calculations shall state the building's total anticipated performance that is better than the building code (baseline) with a summary percentage of performance of the whole building that is above the code baseline. One hundred percent (100%) of the C-PACE Project Costs of all water or energy related measures in new construction projects that demonstrate a whole-building summary performance above the minimum code baseline are financeable through C-PACE.
- For new construction projects in mixed-use buildings, please see Section 4.1 for more information about determining the eligible C-PACE Project Costs.

New construction projects that contain only Renewable Energy installed on a new building are not subject to the additional requirements and should follow the

established ECM Survey requirements for Renewable Energy Improvements to existing buildings.

**Substantial Renovation (Gut Rehabilitation) and Adaptive Reuse**

If the C-PACE Project concerns the substantial (gut) renovation or adaptive reuse of a property, the baseline for the purposes of establishing energy or water usage may be set at the minimum code level for replacement or addition of equipment. Except for the provision of historic utility bills, the ECM Survey for this project type should include all other component requirements for New Construction, as outlined above. Energy or water savings for Substantial Renovation may be established using the appropriate energy survey methodology determined by the Qualified Engineering Professional as set forth above.

## 4.4 Eligible Project Costs, Financing Amount, and Insurance Requirements

### 4.4.1 C-PACE Project Costs

The C-PACE Project budget may include all Direct Costs required to install all ECM(s) included in the C-PACE Project as well as soft costs required to develop and finance the installation.

Eligible Direct Costs include all costs necessary to complete the ECM work, such as the installation/construction contract amount (materials, labor and overhead) and any required ancillary costs incurred in order to complete the installation of an ECM. Examples of eligible ancillary costs are roof structural improvements necessary to allow the installation of a roof mounted solar PV array, or building electrical upgrades necessary to install an efficient HVAC system. The C-PACE Project budget must clearly demonstrate that the ancillary costs are necessary for installation of the ECMs. Changes to the property that are incidental and necessary to the installation of a qualified improvement may be covered.

Eligible soft costs are those that are necessary to directly install the C-PACE project or for the C-PACE Capital Provider to perform their due diligence/underwriting. As such, eligible soft costs may include the cost of the following: Program Fees, energy or water survey, other required design and engineering, project development fees, permit fees, surveys, legal fees, other third-party reports, inspection fees, financing fees, fees associated with the issuance of bonds for the financing, any required reserves deposits, recordation fees, capitalized interest and commissioning. The applicant may request consideration of additional soft costs not listed above.

### 4.4.2 Financing Amount & Underwriting Requirements

The C-PACE Financing Amount must meet the following underwriting requirements. Additional Capital Provider underwriting requirements, not included herein, may also apply.

- The minimum C-PACE Financing amount in the Philadelphia C-PACE program is \$100,000. Smaller projects may be considered on a case-by-case basis at the discretion of the Program Administrator and may be subject to additional diligence requirements.
- C-PACE Financing amount, when combined with existing mortgage and other lien obligations, shall not exceed a 95% loan-to-value ratio to the assessed or appraised value



of the Property. New construction and gut rehab projects may use post construction appraised value, subject to Program Administrator approval. Exceptions to lien limits shall be considered on a case-by-case basis and may be authorized by Program Administrator.

- The C-PACE Financing term shall not exceed the expected useful life of the proposed Energy Conservation Measures as described in the Energy Survey, Water Survey and Renewable Energy Feasibility Survey. For projects that include multiple ECMs, the term of a C-PACE Financing may not be greater than the weighted average useful life of each ECM based on cost, subject to the Program Administrator's review and approval.
- The amount financed cannot exceed the sum of Direct Costs and soft costs, as detailed herein.

#### 4.4.3 Insurance Requirements

All Property Owners are required to maintain insurance on the Property payable to the C-PACE Capital Provider in the event that the C-PACE equipment and/or building is destroyed.

If requested, Property Owner shall add the C-PACE Capital Provider as loss payee and additional insured on its insurance policies which shall be in an amount equal to or greater than the amount of the C-PACE financing plus all outstanding debt on the property. Without limiting the generality of the foregoing, such policies shall include all-risk property insurance on a replacement cost basis, builders risk insurance as appropriate, general liability insurance and all other insurance required of Property Owner. Based on the financing contract with the C-PACE Capital Provider and/or a signed letter of consent by mortgage/lien holder there may be a forced placement of insurance required.

#### 4.4.4 Completion of Financing

Upon full repayment of the C-PACE financing, the C-PACE Capital Provider must submit a certified statement to the Program Administrator that the C-PACE Capital Provider's loan has been satisfied. The Program Administrator will file the lien satisfaction document and submit the certification statement to the City of Philadelphia to cease future assessments.

### 4.5 Eligible Property Owners

Owners of Eligible Properties may use the Philadelphia C-PACE Program to finance a C-PACE Project. The Property Owner or its designated representative initiates the financing process by submitting a C-PACE Pre-Application, which the Program Administrator will use to determine eligibility of the Property and the Property Owner.

The Property Owner is responsible for selecting and conducting due diligence on all service providers for the C-PACE Project and the C-PACE Financing. Service providers include Qualified Engineering Professionals, Qualified Contractors, and C-PACE Capital Providers. Program Administrator assumes no responsibility or liability for service providers deemed "Qualified" or "Registered" pursuant to their listing in Pennsylvania or Philadelphia C-PACE Program resource documents or online.

The Property Owner or its designated representative is also responsible for submitting all required documents and for signing a Pre-Application, Final Application, and C-PACE Statement of Levy



and Lien Agreement, as well as any additionally required documents for satisfaction of the close of financing. The Property Owner is encouraged to carefully review and ensure understanding of all documents.

After closing of the C-PACE Financing, the Property Owner is responsible for submitting C-PACE Special Assessment Payments to the payee, as defined in the annual invoice, during the term of the C-PACE Statement of Levy and Lien Agreement.

To be eligible to participate in the program, a Property Owner must:

- Possess the most recent recorded deed, fee title or land contract vendee's interest of an Eligible Property as shown by the records of the Philadelphia Department of Records. Alternatively, if the applicant will become the Property Owner of the Property upon closing of the C-PACE Financing, documentary evidence showing such anticipated transfer reasonably satisfactory to the Program Administrator would be required. All Property Owners of the fee simple title to the subject property, or their legally authorized representatives, must sign the Final Application. Therefore, before submitting the Pre-Application, the applicant should ensure that all owners (or their representatives) of the subject Property agree to participate in the C-PACE Financing on the aforementioned terms.
- Obtain the written affirmative consent of the holders of any mortgages, liens, or other encumbrances secured by the Property to participate in Philadelphia C-PACE. See [Section 10.0](#) for requirements.
- Certify that the Property Owner (and its corporate parent if the Property Owner is a single-purpose entity) is solvent and that no proceedings are pending or threatened in which the Property Owner (or the corporate parent, as applicable) may be adjudicated as bankrupt, become the debtor in a bankruptcy proceeding, be discharged from all of the Property Owner's (or corporate parent's, as applicable) debts or obligations, be granted an extension of time to pay the Property Owner's (and the corporate parent's, as applicable) debts or be subjected to a reorganization or readjustment of the Property Owner's (and the corporate parent's, as applicable) debts. The Property Owner must also certify that the Property Owner (or any corporate parent if the Property Owner is a single-purpose entity) has not filed for or been subject to bankruptcy protection in the past two years.
- Be current in the payment of all obligations secured by the subject Property, including any City or School District of Philadelphia taxes, property taxes, special assessments (including C-PACE Special Assessment), special taxes, other tax liens, or water or sewer charges, fees, rents or claims, or any penalties or fines related to the property owner's business for which the property owner is responsible, unless the property owner has entered into an agreement to pay any such delinquency and is abiding by the terms of such agreement. Proof of compliance by submission of a Tax Clearance Certificate as defined in Section 9-101 of The Philadelphia Code shall be required prior to the origination of any financing. The Program Administrator may review public records, including the real property records, to verify compliance with this requirement.
- Have no involuntary liens on the Property, including, but not limited to, construction or mechanics liens, lis pendens or judgments against the Property Owner, or eminent domain proceedings. The Program Administrator and its financing partners may review public records, including the real property records and court documents, to verify compliance with this requirement.

- Have no notices of default or delinquency on property-based debt that have been recorded and not cured.
- Certify that it is not a party to any litigation or administrative proceeding of any nature in which the Property Owner has been served with notice of pending litigation, and that no such litigation or administrative proceeding is pending or threatened that, if successful, would materially adversely affect the Property Owner's ability to operate its business or pay the contractual C-PACE Special Assessment when due, or which challenges or questions the validity or enforceability of the C-PACE Statement of Levy and Lien Agreement or any other documents executed by Property Owner in connection with the Property Owner's participation in Philadelphia C-PACE.

Properties that are currently appealing a property tax assessment will be reviewed, and eligibility for Philadelphia C-PACE will be determined on a case-by-case basis with concurrence from the Program Administrator.

## 5.0 Qualified Contractors

Philadelphia C-PACE seeks to facilitate good, local jobs for contractors and their employees. All projects financed through Philadelphia C-PACE must be installed by a Qualified Contractor. The Program Administrator retains the right to review, approve, or deny a contractor's participation in the Philadelphia C-PACE Program. If a Property Owner desires to have a company that is not a Qualified Contractor install the ECMs to be funded through the C-PACE Financing, the non-participating company may become a Qualified Contractor by confirming its compliance with the Qualified Contractor requirements and agreeing to the terms and conditions of participation in Philadelphia C-PACE.

To be eligible for C-PACE Financing, all work associated with the installation of an ECM that requires a license under any applicable law must be installed by a Qualified Contractor who holds the appropriate license. A Qualified Contractor must possess all technical qualifications and resources to properly install the ECMs. Qualified Contractors must not have any outstanding liabilities/payments owed to the City of Philadelphia and must meet all relevant bonding requirements. A Qualified Contractor must adhere to all requirements for a Qualified Contractor, as described in the Pennsylvania C-PACE Statute under Qualified Party:

*Qualified Contractor - A contractor or subcontractor that meets the following standards:*

- (1) Possesses all technical qualifications and resources, including equipment, management, technical and craft labor personnel, and financial resources necessary to perform the contracted responsibilities, or will obtain the contracted responsibilities through the use of qualified subcontractors.*
- (2) Possesses all valid, current licenses, registrations or other certificates required for the contractor or its employees by Federal, State or local law necessary for the type of work required for the project.*
- (3) Does not have any outstanding liability to the locality in the form of tax obligations, fines or other fees, unless the contractor or subcontractor has entered into and is in compliance with any payment agreement with the locality for such taxes, fines or fees.*
- (4) Meets all bonding requirements, as required by applicable law or contract specifications, and all insurance requirements as required by applicable law or*

*contract specifications, including general liability insurance, workers' compensation insurance and unemployment insurance requirements.*

All firms that perform work on any Energy Efficiency Improvement, Renewable Energy Improvement, or Water Conservation Project must meet certain additional requirements.

- A Qualified Contractor, whose work on a project is greater than or equal to \$50,000 in labor costs must meet technical qualifications through one of the following: (1) employ a journeyman that has participated in a Class A Apprenticeship Program, or (2) perform work under the supervision of a Licensed Professional Engineer, or (3) possess a license to perform the necessary type of work issued by the Philadelphia Department of Licenses and Inspection, or (4) in the case of a solar photovoltaic system, be a NABCEP-certified installer. For projects with a labor cost component less than or equal to \$50,000, a Qualified Contractor must be able to pull a permit within the City of Philadelphia. This does not apply to contractors used to establish the baseline or energy savings (see [Section 4.3](#));
- To demonstrate the Qualified Contractor has the financial resources necessary to complete the job, the C-PACE Capital Provider for a C-PACE Project shall submit a certification that the Qualified Contractor meets their requirements;
- As part of the Final Application, Qualified Contractor is required to submit a self-certification statement that it meets the requirements in the Pennsylvania C-PACE Statute and the requirements listed above in this section, together with copies of the licenses, tax clearance certificate or other certificates as requested.

The Program Administrator **strongly recommends** that the Qualified Contractor for a C-PACE Project provide to the C-PACE Capital Provider a self-certification statement that it complies with the provisions below. The Program Administrator assumes no liability for the quality and performance of any given contractor.

- The Qualified Contractor has not been debarred or defaulted on any project by any federal, state, or local government agency or authority in the past three (3) years;
- The Qualified Contractor has not had any type of business, contracting or trade license, registration or other certification suspended or revoked in the past three (3) years;
- The Qualified Contractor has not committed a willful violation of federal or state safety laws as determined by a final decision of a court or government agency in the past three (3) years;
- The Qualified Contractor and its owners have not been convicted of any crime relating to the contracting business by a final decision of a court or government agency for the past ten (10) years;
- The Qualified Contractor has not within the past three (3) years been found by a final decision of court or government agency in violation of any law applicable to its contracting business, including, but not limited to, licensing laws, tax laws, prompt payment laws, wage and hour laws, prevailing wage laws, environment laws or others, where the result of such violation was the imposition of a fine, back pay damages or any other type of penalty in the amount of \$25,000 or more for any single incident or penalties amounting to \$50,000 or more for the previous three (3) years prior to submission of the certification form;
- The Qualified Contractor participates in the Class A Apprenticeship Program for each separate trade or classification in which it employs craft employees and shall continue to participate in such program or programs for the duration of the project.

The Property Owner is required to complete its own due diligence including but not limited to consideration of finances, performance, and pricing, before selecting a contractor. Property Owners should conduct reviews of the Qualified Contractor(s) to ensure that qualified, reputable contractors are chosen to perform the work on the C-PACE Project according to plan, specifications, and requirements set forth in the Program Guidelines. As part of the Final Application, contractors will submit documents self-certifying that they meet the requirements to be considered a Qualified Contractor. Property Owner should not rely on Program Administrator's approval of a Qualified Contractor as assurance of the Qualified Contractor's qualifications.

A copy of the terms and conditions of participation by Qualified Contractors in the Program is included as [Appendix H](#).

## 6.0 C-PACE Capital Providers

Philadelphia C-PACE operates an “open market” program so that Property Owners can select their preferred C-PACE Capital Provider for a project on their Eligible Property. The open market model gives eligible Property Owners access to a range of private C-PACE Capital Providers that offer competitive rates and financing terms and conditions.

The Program Administrator will not facilitate Local Financing at this time. These Program Guidelines and the C-PACE Statement of Levy and Lien Agreement in [Appendix D](#) primarily contemplate the use of Owner Financing, (e.g. through a C-PACE Capital Provider); however, local units of government are not prohibited from participating as C-PACE Capital Providers. The Property Owner will retain the right to choose the type and provider of financing that works best for its business needs.

Any capital provider interested in offering C-PACE Financing in Philadelphia must register as a statewide C-PACE Capital Provider through the Sustainable Energy Fund. Registration can take place during the C-PACE application process and does not need to occur prior to submitting the Pre-Application. The process to register as a C-PACE Capital Provider is as follows:

- The interested capital provider must submit a registration form which includes an acknowledgement by the Capital Provider of their capacity to originate, underwrite, and finance C-PACE assessments; along with the obligation to pay any processing, collection, administration, legal or other amounts necessary for program assessment lien servicing, in the event that such amounts are due prior to recovery from Property Owner(s). The registration form is available on the [Pennsylvania C-PACE website](#) maintained by the Sustainable Energy Fund.
- Upon approval, the capital provider will be considered a “C-PACE Capital Provider.” The Sustainable Energy Fund will list all C-PACE Capital Providers on the [Pennsylvania C-PACE website](#). All Pennsylvania Financial Institutions are automatically C-PACE Capital Providers per the Pennsylvania C-PACE Statute. Pennsylvania Financial Institutions are still encouraged to register so they appear on the list of C-PACE Capital Providers on the Pennsylvania C-PACE website.
- Prior to the closing of the applicable C-PACE Financing, the Capital Provider must register with the statewide database. Before closing a C-PACE Financing, information pertaining to the Property Owner’s applications to Philadelphia C-PACE shall be kept confidential among the parties to the Final Application. However, following closing of the C-PACE Financing, the Program Administrator will publicly report certain information about the C-PACE Project and the C-PACE Financing, as referenced in [Section 8](#).

The Program Administrator reserves the right to deny a C-PACE Capital Provider participation in the Program if the terms of the Program Guidelines and C-PACE Statement of Levy and Lien Agreement are not met on a previous project. Program Administrator will share the list of refused C-PACE Capital Providers with other C-PACE program administrators in Pennsylvania.

## 7.0 Program Fees

To participate in the C-PACE Program, Property Owners must agree to pay various administrative and financing fees. The Program Fees for any specific project will be disclosed and agreed to prior to financing. The Program Administrator reserves the right to modify its fee structure at any time due to changes in program requirements or market factors.

Payable to Program Administrator:

- **Application Fee.** Application fees are currently waived. Property Owners should check with the Program Administrator prior to submission of the Pre-Application to ensure that the waiver is still in effect.
- **Program Fee.** Program Fees cover the cost of PEA program management, project underwriting, legal document preparation and funding disbursement as well as other transaction-related expenses. It is a one-time fee payable to the Program Administrator at close of the C-PACE Financing. Depending on the amount borrowed, the project will either be charged a flat fee or a percentage of the C-PACE financing amount:

For C-PACE Financing Amounts		The Following Fee Structure Applies:	Percentage /
from	to		Flat Fee
\$100,000	\$2,000,000	Percentage	1.250%
\$2,000,001	\$2,222,222	Flat Fee	\$25,000
\$2,222,223	\$4,000,000	Percentage	1.125%
\$4,000,001	\$4,500,000	Flat Fee	\$45,000
\$4,500,001	\$6,000,000	Percentage	1.000%
\$6,000,001	\$8,000,000	Flat Fee	\$60,000
\$8,000,001	\$10,000,000	Percentage	0.750%
\$10,000,001	\$15,000,000	Flat Fee	\$75,000
\$15,000,001	\$20,000,000	Percentage	0.500%
\$20,000,001	and greater	Flat Fee	\$100,000

For example, a \$3.8MM C-PACE Project would incur a Program Fee of \$42,750 based on the applicable percentage calculation ( $\$3.8\text{MM} \times 1.125\%$ ). A \$4.2MM C-PACE Project would incur a Program Fee of \$45,000 based on the applicable flat fee.

- **Annual Servicing Fee.** Ongoing fees to pay PEA for preparation of the C-PACE invoices, preparation of continuing disclosure reports, monitoring project funds, tracking delinquencies, and other Program Administrator cost recovery. All projects will be subject to a \$750 Annual Servicing Fee.

Payable to City of Philadelphia:

- Department of Records
  - Recordation Fees. The Property Owner or C-PACE Capital Provider will be responsible for paying the cost of recordation and any re-recordation of the C-PACE Statement of Levy and Lien Agreement. Each recordation will be considered a “Deed Miscellaneous” under the Philadelphia Department of Records Fee Schedule. As of March 2020, the recordation fee is \$256.75.
  - Satisfaction of the loan. Upon satisfaction (i.e. full repayment) of the C-PACE Financing, the Program Administrator will submit a lien satisfaction document to the Philadelphia Department of Records which will update the C-PACE Project’s status to “Satisfied” in any title searches on the Property. The Property Owner or C-PACE Capital Provider will be responsible for this cost. As of March 2020, the fee is \$224.75.
  - Please see <https://www.phila.gov/records/> for the most up to date fee schedule.
- Office of Judicial Records
  - In the event a Property Owner is delinquent on its C-PACE Special Assessment Payments and the Program Administrator places a lien on the Property, the Office of Judicial Records charges a lien placement fee. As of March 2019, the fee is \$91.45. The Capital Provider is responsible for the fee.
- Program Administrator may pay these fees on behalf of the Property Owner and Capital Provider and add such fees to the C-PACE Special Assessment Payment invoice sent to the Property Owner.



## 8.0 Project Application and Implementation Process

### Application Process Overview

To proceed with funding a C-PACE Project, a Property Owner must complete a two-phased application process: Pre-Application and Final Application. Approval of the Pre-Application should be received prior to project development. The Program Administrator must approve the Final Application prior to signing the C-PACE Statement of Levy and Lien Agreement and closing a C-PACE Financing. [See Appendix I](#) for a diagram overview of the application process.

#### 1) Determine Eligibility and Complete the Pre-Application

Step one is to complete the Pre-Application. [See Appendix F](#). The Pre-Application gives Property Owners the opportunity to establish eligibility for participation in Philadelphia C-PACE before they invest in project development. The information collected in this step of the process will be used by the Program Administrator to verify that the applicant's property is an Eligible Property, and that the proposed project falls within the parameters established in the Program Guidelines.

To begin the process, Property Owners or their designated representatives complete the Pre-Application form and email it to [CPACE@philaenergy.org](mailto:CPACE@philaenergy.org). Once a Pre-Application is submitted, the Program Administrator will conduct a preliminary review to determine if the Property and proposed project are eligible for enrollment in the C-PACE Financing Program. This review will typically be completed within ten (10) business days of receipt of a completed Pre-Application. Following review and approval of the Pre-Application, the Program Administrator will notify Property Owner that the Pre-Application is approved, and Property Owner should move forward with the project development phase.

#### 2) Develop Project and Obtain Mortgage/Lien Holder Consent

Property Owners and/or their designated representatives will work to develop and define an eligible C-PACE Project. Applicants should obtain an ECM Survey at this point in the process, as described in [Section 4.0](#). Following the Survey, applicants will work with their Qualified Contractors to determine the final scope, project cost and schedule.

Applicants should also contact C-PACE Capital Providers to secure acceptable C-PACE Financing terms and conditions.

The C-PACE Capital Provider will conduct its own review of the C-PACE Project according to its underwriting requirements.

Mortgage/Lien Holder Consent is a condition precedent to closing a C-PACE Project per the Pennsylvania C-PACE Statute. Parallel to the project development process, the Program Administrator recommends that the applicant ask the C-PACE Capital Provider how to approach any and all current mortgage or lien holder(s) on the property to acquire written Mortgage/Lien Holder Consent for the proposed C-PACE Financing. Many traditional lenders are not familiar with C-PACE financing and may not understand its features. The Program Administrator encourages Property Owners to coordinate with an experienced C-PACE Capital Provider before contacting any mortgage or lien holder. Property Owner should also contact holders of any other liens or encumbrances on the Property that are subject to the lender consent requirements of the C-PACE Program (See [Section 10.0](#)).

### 3) Submit Final Application with Supporting Documentation

When the development work for the C-PACE Project is substantially complete, Property Owners should submit the Final Application. The Final Application is available on the [Philadelphia C-PACE website](#).

Along with a complete Final Application form, Property Owners are required to submit documentation about the C-PACE Project through the Project Center. The Project Center is the web-based portal used by Property Owners and other stakeholders in a C-PACE Project to submit and manage applications for C-PACE Financings. The Final Application form contains a list of all required documents. The Program Administrator will only accept Final Application documents uploaded through the Project Center. The Program Administrator will grant the Property Owner and its designated representative(s) access to the Project Center upon approval of the Pre-Application.

Property Owner shall supply the following supporting documentation:

- a) **Executed Final Application** completed by the Property Owner, with all fields filled including all owner certifications and signatures. See [Appendix G](#).
- b) **ECM Survey** conducted according to the requirements of the Program Guidelines and documenting the expected monetary savings from the energy, water and operations savings to be achieved by the C-PACE Project. The ECM Survey should be stamped by a Qualified Engineering Professional. The energy and water usage baseline information should be entered into EPA Portfolio Manager and the Property Owner should ensure the data is shared with the City of Philadelphia pursuant to the City's benchmarking ordinance (as further described below).
- c) **Mortgage/Lien Holder Consent** evidenced by written consent from all existing mortgage and lien holders on the Eligible Property for the proposed C-PACE Project. (See [Section 10.0](#) for further detail).
- d) **Title Report** disclosing all current mortgage and lien holders on the property and showing that there are no involuntary liens on the property (the Title Report must be issued not more than 30 days prior to closing of the C-PACE Financing).
- e) **Capital Provider Statement** certifying that Capital Provider has reviewed the financial worthiness of each Qualified Contractor and accepts the use of each Qualified Contractor on the C-PACE Project. See [Section 5](#) for details.
- f) **Execution-Ready C-PACE Statement of Levy and Lien Agreement** must have been agreed upon among the C-PACE Capital Provider, Property Owner, Program Administrator and the City of Philadelphia. The C-PACE Statement of Levy and Lien Agreement includes a copy of the C-PACE Financial Agreement. By signing the C-PACE Statement of Levy and Lien Agreement, Property Owner and Capital Provider agree to adhere by the rules described in these Program Guidelines. See [Appendix D](#).
- g) **Payment of Program Expenses** must be evidenced in proposed sources and uses or some other documentation reasonably satisfactory to the Program Administrator.
- h) **Diversity and Inclusion Plan** demonstrating support for diverse and local contractors, partners and workforce. See [Appendix L](#) for more details.
- i) **Signed Program Administrator Disclosure and Release Form** in which the Property Owner acknowledges that the Program Administrator will be held harmless and recognizes

the limited liability of the Program Administrator. See [Section 12.0](#) for more details and [Appendix K](#) for the form.

- j) **Qualified Contractor Terms and Conditions Self Certification** – Contractor agrees to adhere to the Terms and Conditions of the C-PACE Program by signing the document listed in [Appendix H](#). As the request of the Program Administrator, the applicant will also submit copies of Contractor licenses, tax clearance certificates, or other certificates.
- k) **Other documents:**
  - i) Property Description
  - ii) Detailed Project Budget
  - iii) Tax Clearance Certificate
  - iv) Verification of Property Enrollment in EPA Portfolio Manager
  - v) Philadelphia License & Inspection Department Records (if applicable)
  - vi) Zoning / Planning Approvals (if applicable)

Once a Final Application is received, the Program Administrator will review it for completeness and accuracy of the information and documents enclosed to ensure they comply with the Program Guidelines. The Program Administrator will typically provide the Property Owner with written Notice of Philadelphia C-PACE Approval or request for more information within fifteen (15) business days of a submission of a completed Final Application, unless the project's technical features are so extensive that the Program Administrator must engage an independent engineer to review the Final Application. If the Program Administrator finds that the Property Owner's Final Application is incomplete, the Program Administrator will notify the Property Owner who will have the opportunity to complete any missing information. Upon resubmission of a completed Final Application, the Program Administrator will typically complete its review within fifteen (15) business days and respond in writing with written Notice of Philadelphia C-PACE Approval or with an explanation of why the project did not receive final approval.

Upon the approval of the Final Application by the Program Administrator, a Notice of Philadelphia C-PACE Approval will be sent to the Property Owner and its designated agent. Upon receipt of the Notice of Philadelphia C-PACE Approval, the Property Owner may proceed with closing of the C-PACE Financing.

#### 4) Close Financing & Execute C-PACE Statement of Levy and Lien Agreement

In addition to any financing agreements required by the C-PACE Capital Provider, the Property Owner, C-PACE Capital Provider, Program Administrator and the City of Philadelphia are required to execute the C-PACE Statement of Levy and Lien Agreement prior to the C-PACE Financing closing. The C-PACE Statement of Levy and Lien Agreement is a contract between the C-PACE Capital Provider, the Property Owner, Program Administrator and the City of Philadelphia that memorializes for the public record that there is a C-PACE Special Assessment on the Property Owner's real property, among other terms. It may take several days (or longer) to successfully secure signatures from all four parties, so Property Owners should build that into their deal timing expectations.

A copy of the C-PACE Statement of Levy and Lien Agreement is included in the Program Guidelines in [Appendix D](#). Following the execution and payment of all applicable fees, the

Program Administrator will record the C-PACE Statement of Levy and Lien Agreement with the Philadelphia Department of Records.

## **5) C-PACE Financing Close & Project Implementation**

Financing will close and funds will be made available for C-PACE Project on or after the date on which the C-PACE Statement of Levy and Lien Agreement is recorded. At closing, all amounts payable to the Program Administrator, for Program Fees and any soft costs that may be due to the Program Administrator, will be distributed via wire. Payments to Property Owner or contractor(s), subject to milestone distributions, will be payable as documented in the C-PACE Financing Agreement with the condition that final disbursement is not made until Program Administrator provides accepted confirmation of the Completion Certificate for the respective C-PACE Project.

## **6) Project Completion**

Upon substantial completion of the C-PACE Project, the Property Owner and a Qualified Inspector or Building Code Official will execute a Completion Certificate. The Completion Certificate will acknowledge that all contracted work has been properly completed. The Property Owner or Qualified Inspector will submit an executed Completion Certificate for the C-PACE Project to the Program Administrator.

Philadelphia C-PACE requires that the Qualified Contractor or ECM Survey provider complete commissioning of the ECMs prior to executing a Completion Certificate for the C-PACE Project. Philadelphia C-PACE recommends that the commissioning report include certain information:

- a) A statement that systems have been completed in accordance with the ECM Survey and/or Renewable Energy Feasibility Survey and contract documents, and that the systems are performing as expected;
- b) Identification and discussion of any substitutions, compromises, or variances between the final design intent, contract documents and as-built conditions;
- c) Description of components and systems that exceed the owner's project requirements and those which do not meet the requirements and why; and
- d) A summary of all issues resolved and unresolved and any recommendations for resolution.
- e) Certification by the qualified firm or individual that prepared the post-construction commissioning report, including identification of the relevant professional credentials maintained by the firm or individual.

## **7) Post-Completion Measurement and Verification (M&V)**

For the Term of the C-PACE Financing, C-PACE Property Owners are required to report and disclose energy and water usage to the City of Philadelphia through its energy and water benchmarking program, which requires that buildings are established in Energy Star [Portfolio Manager](#). Details on compliance deadlines and links to reporting templates can be found on the [Philadelphia Office of Sustainability website](#). For detailed information on how to submit data to the City of Philadelphia once it is entered in Portfolio Manager, please see this [Reporting Guide](#). For any C-PACE Projects consisting of Renewable Energy Improvements, Property Owners must submit to the Program Administrator an annual comparison of the actual

production and expected production. The data submission deadline is June 30 in each calendar year.

Failure to submit the information described above will result in a violation subject to a penalty from the Philadelphia Office of Sustainability. As of March 2020, such violations shall be subject to a fine of \$300 for failure to comply during the first 30 days following the June 30 data submission deadline described above, and a fine of \$100 per day for each day that the failure to comply persists following the initial 30 days.

Energy and water consumption and savings data will be held by the Philadelphia Office of Sustainability and the Program Administrator and shared with the public for program impact reporting purposes.

Verification of energy savings consistent with the International Performance Measurement and Verification Protocols (IPMVP) is not required but encouraged.

Neither the Program Administrator nor the City of Philadelphia are responsible for disparities in projected or actual energy, water or financial savings.

## **8) Public Reporting**

Following execution of a C-PACE Statement of Levy and Lien Agreement, the Program Administrator will post online and make available to the public a notice containing the following information about the Assessment and the C-PACE Project:

- a) The legal description of the property;
- b) The name of the Property Owner;
- c) The total amount of the qualified C-PACE Project and a complete description of the Project;
- d) C-PACE Financing amount and the Assessment needed to satisfy that amount;
- e) The financing rate on the C-PACE Financing, the total amount of the financing and any financing charges associated with the C-PACE Financing;
- f) A reference to the statutory assessment lien provided under the Pennsylvania C-PACE Statute.

## 9.0 C-PACE Special Assessment Administration

### 9.1 C-PACE Special Assessment Lien and Repayment

A C-PACE Special Assessment created pursuant to the Philadelphia C-PACE Statute, including the full C-PACE Financing, associated program fees and any interest or penalties accrued thereon, shall be recorded on deed as a special assessment and shall be treated as a first and prior lien against the Property on which the C-PACE Financing is imposed from the date the C-PACE Statement of Levy and Lien Agreement is recorded until the C-PACE Special Assessment and all interest and penalties thereon are satisfied.

The C-PACE Special Assessment has the same priority status as a lien for any other tax imposed by any agency, municipality or county of the Commonwealth of Pennsylvania and shall be treated as a tax imposed by any agency, municipality or county. The C-PACE Special Assessment runs with the land. The portion of the C-PACE Special Assessment under the C-PACE Statement of Levy and Lien Agreement that has not yet become due is not discharged by foreclosure of a property. The C-PACE Special Assessment cannot be accelerated or extinguished until fully repaid. The C-PACE Special Assessment may be enforced by the City in the same manner as real property taxes, but a C-PACE lien shall not be subject to the City's tax lien sale process. However, a C-PACE lien can be subject to a Sheriff's sale. A C-PACE lien shall not be subject to discount for early payment, nor shall any reduction or forgiveness be granted.

### 9.2 Repayment of C-PACE Financing

Repayment of the C-PACE Financing shall be made in accordance with the terms of the C-PACE Financing Agreement as attached to the C-PACE Statement of Levy and Lien Agreement. The first repayment date for the C-PACE Special Assessment Payment shall be the date reflected on the payment schedule in the C-PACE Statement of Levy and Lien Agreement.

C-PACE Special Assessment Payment amount will be invoiced by the Program Administrator in December of each calendar year. Each C-PACE Special Assessment Payment must be paid in full by March 31 of the following calendar year. Delinquent C-PACE Special Assessment Payments will cause the Program Administrator to record a lien on the property for the amount of the delinquent payment in the January following the March 31 payment due date. However, interest will begin to accrue immediately upon missing the March 31 due date consistent with the City's delinquency rate, which is an additional incremental amount of 1.5% per month.

The Program Administrator has engaged a third-party Paying Agent to process payments from Property Owners. Program Administrator will direct the Paying Agent to distribute amounts received for program fees to Program Administrator, and principal and interest to C-PACE Capital Provider pursuant to the terms of the C-PACE Statement of Levy and Lien Agreement.

All other procedures related to the payment of the C-PACE Special Assessment, including remedies for delinquency and defaults, will be set forth in the C-PACE Statement of Levy and Lien Agreement and applicable C-PACE Financing documentation. Nothing in the Program Guidelines may supersede or alter the terms and conditions contained in a C-PACE Statement of Levy and Lien Agreement entered into by and among the City of Philadelphia, a Property Owner, Program Administrator and a C-PACE Capital Provider.



### 9.3 Delinquent C-PACE Special Assessment Collections

In the event the Property Owner fails to make the C-PACE Special Assessment Payment, funds recovered either from delinquent payment by Property Owner or in the event of a Sheriff's sale shall be paid to the Capital Provider (up to the amount owed). Pursuant to the Philadelphia C-PACE Statute, if there are outstanding amounts owed for other municipal liens, including but not limited to gas, water or demolition liens, the Capital Provider will be required to pay all such liens before satisfying Property Owner's obligation to the Capital Provider.

Collection costs incurred by the Program Administrator exceeding the recovered amounts are the responsibility of the C-PACE Special Assessment lienholder. Any recovered delinquent payments shall not be disbursed to lienholder unless and until all collection costs have been paid.

Delinquent C-PACE Special Assessment Payments will incur interest and penalties in the same manner as delinquent property taxes. In Philadelphia, property taxes are due by March 31 of each calendar year and delinquent payments are subject to a 1.5% per month penalty. Program Administrator may seek to collect delinquent annual C-PACE Special Assessment Payments prior to placing a lien on the property. In the event a delinquent C-PACE lien is enforced, the outstanding balance of the C-PACE Special Assessment will not accelerate.

Other events of default may occur if the Property Owner fails to adhere to other obligations specified in the C-PACE Statement of Levy and Lien Agreement or C-PACE Financing Agreement.

A C-PACE Statement of Levy and Lien Agreement may be transferred to a new Property Owner upon sale or transfer of the Eligible Property during the term of a C-PACE Statement of Levy and Lien Agreement. The process and requirements for transfer of the C-PACE Statement of Levy and Lien Agreement are specified in the stated Agreement ([See Appendix D](#)).

### 9.4 Conclusion of C-PACE Statement of Levy and Lien Agreement

Once the C-PACE Financing has been repaid in full according to the terms the C-PACE Financing Agreement, the Program Administrator will submit a lien satisfaction document to the Philadelphia Department of Records which will acknowledge release of assessment lien on the property. Any corresponding recordation fees shall be paid by Property Owner.



## 10.0 Mortgage/Lien Holder Consent

All Property Owners must provide written notice of their intent to participate in the C-PACE Program to the holders of any existing mortgages, security interests in, or other encumbrance of the real property that secures a current, future, or contingent payment obligation. The executed Mortgage/Lien Holder Consent forms must be submitted to the Program Administrator as part of the Final Application. The purpose of the Mortgage/Lien Holder Consent is to:

- Provide notice to the mortgage holder that the Property Owner is proposing the Eligible Property participate in Philadelphia C-PACE and obtain the mortgage holder's consent to such participation.
- Request confirmation from the mortgage lender that the levy of the C-PACE Special Assessment, subject to the C-PACE Statement of Levy and Lien Agreement will not trigger an event of default nor the exercise of any remedies under the mortgage loan documents or other security documents held by the lienholder.
- Advise the mortgage holder or lienholder that the C-PACE Special Assessment will be repaid in installments collected pursuant to the terms of the C-PACE Statement of Levy and Lien Agreement subject to the same penalties, remedies and lien priorities as a special assessment. Additionally, provide notification that the mortgage holder or lienholder's lien will be subordinate to the payments of C-PACE Special Assessment as they come due, i.e., the C-PACE Special Assessment cannot be accelerated.
- Advise the mortgage holder or lienholder of the maximum allowable amount of the C-PACE Financing per [Section 4.4.2](#), the corresponding maximum annual C-PACE Special Assessment Payment amount necessary to repay the maximum C-PACE Financing, as well as the expected C-PACE Financing and expected annual C-PACE Special Assessment Payment amounts.
- Advise the mortgage holder or lienholder that the Program Administrator, or its permitted assignee, can enforce the C-PACE Special Assessment in the same manner as the City enforces the payment of other ad valorem taxes or city charges.

The Program Administrator recommends that the Property Owner consult with its C-PACE Capital Provider before they approach an existing mortgage holder. Many traditional lenders are not familiar with C-PACE lending and would benefit from an explanation of how it works. The C-PACE Capital Provider may find it helpful to inform mortgage holder(s) that in the event of a delinquent C-PACE Special Assessment payment, the full balance of the Assessment will not accelerate, and only the payment of delinquent amounts of the C-PACE Financing will be enforced. Further, Property Owners can point out that C-PACE-financed projects generally increase the value of the Mortgage Lender's collateral. Property owners are encouraged to include the C-PACE Capital Provider in the meeting with the Mortgage Holder.

A copy of the Mortgage/Lien Holder Consent template can be found in [Appendix J](#).

## 11.0 Retroactive Projects

Completed installations of certain C-PACE Projects are eligible for retroactive C-PACE Financing. Retroactive C-PACE financings are C-PACE Financings that close after the Property Owner completes the installation of Energy Conservation Measure(s). Retroactive Projects must satisfy the same requirements as other C-PACE Projects. However, the Program Administrator recognizes that a Property Owner may not have been aware of C-PACE programs when undertaking a project that would have been eligible. Another situation that justifies Retroactive C-PACE Financings is a new construction project, which begins with a short-term construction phase (up to 24 months) financed by a construction loan, followed by long-term permanent loan that refinances the construction loan. Typically, Property Owners can access permanent financing only after completion and stabilization of the project. C-PACE Financing is eligible at both phases. If the C-PACE Financing is put in place at the closing of the permanent loan, it is considered a Retroactive Project.

Property Owners with retroactive C-PACE Projects may apply to be approved for C-PACE Financing. Retroactive C-PACE projects are subject to the following additional requirements:

- All such retroactive C-PACE financings for New Construction or Substantial Renovation must occur after August 11, 2018 (60 days after the Pennsylvania C-PACE Statute was enacted on June 12, 2018) and within 730 days after the completion of the installation/construction (as proven by the date on the Certificate of Occupancy or other acceptable construction completion documentation)
- For any such retroactive C-PACE Project, the term of the C-PACE Financing will be reduced to account for any of the Energy or Water Conservation Project's estimated useful life that has elapsed between the time of installation and the close of a C-PACE Financing. For example, if a C-PACE Financing is funded one year after installation of the ECM(s) project, the eligible term of the financing will be reduced by one year.

### Required Documentation

Verification is required to establish prior conditions (baseline) and describe the new ECM(s) installed in any such retroactive C-PACE project. The ECM Survey for a retroactive C-PACE Project shall include additional documentation that provides evidence of installation of the ECM(s) that are the subject of the C-PACE Project, as follows:

- Completion Date for the ECM(s) that are subject to the C-PACE Project
- Description of the baseline code that applied at time of project construction;
  - Please note that Philadelphia adopted IECC-2018 for commercial buildings effective October 1, 2018
  - If the retroactive C-PACE project completed construction under a prior code requirement, the project's ECMs must exceed the baseline code by 20% or more in order to be eligible for retroactive C-PACE financing
- Make and model of equipment replaced, if applicable
- Documentation that provides evidence of equipment installed prior to replacement, if applicable
- Make and model of ECM(s) that are the subject of the retroactive C-PACE project
- Documentation that provides evidence of installation of new ECM(s)

Please contact Program Administrator to discuss ECM eligibility with respect to baseline code at the time of installation.

## 12.0 Release and Indemnification

- The Program Administrator does not provide legal advice and will not mediate any disputes between any participants in Philadelphia C-PACE, including but not limited to, Property Owners of Eligible Properties and their tenants, C-PACE Capital Providers, Qualified Contractors, energy service companies, and utilities.
- In addition to other designated and implied responsibilities in the C-PACE Program, Applicant is responsible for reviewing the terms, conditions, and obligations implied by the C-PACE Statement of Levy and Lien Agreement, as well as the terms of any supplemental agreements with the C-PACE Capital Provider and all agreements with Qualified Contractors, Qualified Engineering Professionals, and any other parties to the project.
- The Program Administrator does not provide any assurance of the Qualified Contractor's or Qualified Engineering Professional's ability to perform C-PACE Project work.
- The Program Administrator does not provide any accounting advice regarding how a Property Owner should treat the C-PACE Financing in their books and records.
- The Program Administrator has the right to review all projects for eligibility and may approve C-PACE Projects for C-PACE Financing according to the standards and criteria set forth in the Program Guidelines.
- The Program Administrator retains ultimate discretion whether to approve a C-PACE Project.
- C-PACE Capital Providers are prohibited from releasing, and installation contractors are prohibited from receiving, final payment for a C-PACE Project until the required parties have duly executed a Completion Certificate and the Program Administrator has accepted the Completion Certificate.
- Property Owner agrees to compel any party with which it contracts for its C-PACE Project to defend the Program Administrator and each agency, officer, employee, agent or any other party acting for or on behalf of the Program Administrator (the "Program Administrator Indemnified Parties") from, and indemnify and hold each of them harmless against, any and all losses, liabilities (including settlement costs and amounts, transfer taxes, documentary taxes, or assessments or charges made by any governmental authority), claims, damages, interest judgments, costs, or expenses, including without limitation, reasonable fees and expenses of the Program Administrator Indemnified Parties' legal counsel or other professionals ("Losses") arising out of (a) the contractor's negligence or willful misconduct or (b) the contractor's participation in the Program, provided that the contractor will not be liable to the extent such Losses arise from gross negligence or willful misconduct on the part of the Program Administrator Indemnified Parties as determined in a final and non-appealable judgment of a court or competent jurisdiction.
- The City of Philadelphia and Program Administrator:
  - Do not endorse any particular C-PACE Capital Provider, Qualified Contractor, Qualified Engineering professional, engineering firm, manufacturer, product, system designer, or system design by this offering.

- Are not responsible for any tax liability imposed on the recipient as a result of the payment.
- Make no representation or warranty, and assume no liability with respect to the quality, safety, performance, or other aspect of any design, consulting, product, system, equipment, or appliance installed or received and expressly disclaim any such representations, warranties, and liability, including, but not limited to, any implied warranties of merchantability or fitness for a particular purpose. Property Owners should contact their contractors for detailed manufacturer equipment warranties.
- Do not guarantee that installation and operation of energy efficiency, water conservation or clean energy generation equipment will result in reduced usage or in cost savings to a Property Owner or any occupants of an Eligible Property.
- Are not responsible for the proper disposal/recycling of any waste generated as a result of this project.
- Are not liable for any damages, including any incidental or consequential damages, arising out of the operation or malfunction of the products, equipment, or appliances, or the installation thereof related to a C-PACE Project.
- Program Administrator reserves the right to publicize participation in the program.
- Upon reasonable notice period, a Program Administrator representative may schedule a site visit to verify that qualified products, systems, equipment, or appliances were installed.

## Appendix A: Commonwealth of Pennsylvania C-PACE Statute Act 30 of 2018

*[See Attached]*

## Appendix B: Philadelphia C-PACE Ordinance No. 190412

*[See Attached]*



## Appendix C: Eligible C-PACE Clean Energy Projects

The following non-exhaustive list of Energy Conservation Measures (ECM) and Renewable Energy Improvements is intended as a reference list for Philadelphia C-PACE applicants and can change at any time. If not included on this list or the Pennsylvania Public Utility Commissions Technical Resource Manual, the Program Administrator will review the proposed ECM(s) and accept them on a case-by-case basis.

### **Energy Saving measures:**

- High efficiency lighting and/ or lighting sensors and controls
- Heating ventilation air conditioning (HVAC) upgrades
- New automated building, lighting and HVAC controls
- Variable speed drives (VSDs) on motors fans and pumps
- Variable frequency drives, energy recovery ventilators (ERV), heat recovery ventilators (HRV), demand control devices, including energy storage systems
- High efficiency chillers
- High efficiency boilers and furnaces
- High efficiency heat pumps (suitable for use in a cold climate zone)
- High efficiency hot water heating systems
- Geothermal energy/ geoexchange
- Combustion and burner upgrades
- Fuel switching resulting in an overall reduction in the number of BTUs required to achieve a given end use
- Heat recovery and steam traps
- Building enclosure/envelope improvements, including insulation, air sealing, window retrofit, and window replacement
- Building automation (energy management) systems
- New automated process controls
- Heat recovery from process air and water
- Cogeneration
- Process equipment upgrades
- Process changes

### **Renewable Energy Production**

- Solar photovoltaic power
- Solar thermal
- Wind power
- Fuel cell

- Methane gas from landfills
- Methane gas from anaerobic digestion
- Low emission advanced control technologies
- Sustainable biomass facility used for heating and/or generation

### **Water Conservation Measures**

- Adding aerators to faucets or installation of new faucets in kitchens and bathrooms
- Commercial kitchens can save water through the replacement of pre-rinse valves, dishwashers, and icemakers.
- Laundry equipment in commercial properties
- Condensate water reuse for cooling towers, for steam boilers, irrigation, evaporative coolers, industrial laundry, decorative water features, water cooled equipment, and air conditioners.
- Industrial water consumption from car washes, film and x-ray processing, and high-tech manufacturing can be reduced through the installation of equipment involved in each specific process/facility.
- Replacement of toilets with low-flow toilets and/or waterless urinals, or flow restriction devices
- Installation of new faucets that have reduced waterflow
- Implementing processes or equipment, that demonstrates water savings including:
  - Hot water recirculation systems using circulating pumps
  - Cooling tower conductivity controllers
  - Demand-initiated hot water systems
  - Filter upgrades
  - Deionization
  - Recycled water sources
- Certain stormwater management projects, as discussed in [Section 4.2](#), including irrigation reduction and water capture and reuse systems like cisterns and some subsurface detention systems

### **Ineligible Measures**

The following items will not be considered as eligible ECM under the Program Administrator program:

- Measures that are not permanently attached to the subject property or building and which can be easily removed
- Any measure that cannot be explained in terms of industry-standard engineering or scientific principles

## Appendix D: C-PACE Statement of Levy and Lien Agreement

*[See Attached]*

# Appendix E: EPA Portfolio Manager Property Guide



## "How To" Series

### Portfolio Manager® Quick Start Guide

EPA's ENERGY STAR Portfolio Manager tool helps you measure and track the energy and water use, waste and materials, and greenhouse gas emissions of your buildings, all in a secure online environment. You can use the results to identify under-performing buildings, set investment priorities, verify efficiency improvements, and receive EPA recognition for superior energy performance. Follow the steps in this guide to get started using the new Portfolio Manager to benchmark your properties, assess performance, and view results.

#### Getting Started

- Step 1: Add a Property
- Step 2: Enter Energy & Water Data
- Step 3: View Results & Progress

## 1 Add a Property

To get started, log in to Portfolio Manager at [www.energystar.gov/portfolio manager](http://www.energystar.gov/portfolio manager). Then, follow these instructions to create a property and to enter property information.

1. Click **Add a Property** on the **MyPortfolio** tab.
2. Answer questions about your property and click **Get Started!**
3. Enter basic property information and select the boxes next to the statements that apply to your property. Then click **Continue**.
4. Enter Use Details such as Gross Floor Area (GFA), operating hours, and number of workers for each type of use. You can use default or temporary values at this time and enter more accurate data later. **NOTE:** Mouse over the Use Detail to see a definition.
5. Click **Add Property**. When you have successfully added your property, you will see the property's **Summary** tab.

If you have additional types of uses on the property, you can add them at any time.

1. Click the property's **Details** tab, and then select a Property Use Type from the **Add Another Type of Use** drop-down menu. Click **Add**.
2. Enter Use Details for the property and then click **Save Use**.

#### Property Types

All property types can be benchmarked. For properties with multiple buildings only hospitals, hotels, K-12 schools, multifamily, and senior care communities are eligible to receive the 1 – 100 ENERGY STAR score.

#### Properties with Multiple Use Types

Some properties include multiple use types, such as restaurants in hotels, salons in senior care communities, and cafeterias in hospitals. As a general rule, if a certain use commonly occurs in the type of property being benchmarked, do not break it out as a separate Property Use Type. Simply include it's square footage with the building's primary use.

## 2 Enter Energy, Water, and Waste & Materials Data

To receive the most accurate picture of your building's performance, tell Portfolio Manager how much energy and water your building consumes, and the volume of waste and materials that you generate. Follow these steps to enter energy, water, and waste data for your property.

Get Started Setting Up Waste/Materials Meters for Transformation Fitness

Most likely you don't have physical "meters" measuring your waste or materials, but you can set up a "meter" to easily track this information in Portfolio Manager. You should create one meter for every type of waste or material you are tracking (e.g., disposed trash, recycled cardboard, etc.) [Learn more about waste and material tracking.](#)

About Your Waste/Material

What waste/material are you tracking?

What are you doing with it?

[Add another Type of Waste/Material](#)

[Continue](#) [Cancel](#)

Follow Us [s](#) [f](#) [t](#) [in](#)

[Contact Us](#) | [Privacy Policy](#) | [Browser Requirements](#) | [ENERGY STAR Buildings & Plants Website](#)

1. Click on your property from the **MyPortfolio** tab, then select either the **Energy, Water,** or **Waste & Materials** tab.
2. Click **Add A Meter**.
3. If you create an energy or water meter:
  - i. Select the type of energy or water used and the number of meters to create, and click **Get Started!**
  - ii. Click on a meter to enter units and first bill date. If this meter reflects a bulk fuel purchase for an energy meter, select the **Enter as Delivery?** checkbox.
  - iii. Click the blue arrow next to each meter to expand the section on the **Your Meter Entries** page. Click **Add Another Entry** under the meter and enter data. Check **Estimation** if you are not including measured data for the entry. You may also choose to record cost here, too. Once you're finished adding entries, click **Continue**.
  - iv. Select the boxes of the meters that total your property's energy or water use on the **Select Meters to Include in Metrics** page. Click **Apply Selections**.
4. If you create a waste meter:
  - i. Select the waste you are tracking and indicate what you do with it. Click **Continue**.
  - ii. Indicate how often the material is being collected (regular or intermittent), the units used for tracking, and if prompted, the date you first started tracking. Click **Create Meter(s)**.
  - iii. Click the blue arrow next to each meter to expand the section on the **Your Meter Entries** page. Click **Add Another Entry** under the meter and enter data. Check **Estimation** if you are not including measured data for the entry. You may also choose to record cost and disposal destination here, too. Once you're finished adding entries, click **Continue**.
  - iv. Select the boxes of the meters that total your property's waste and materials on the **Select Meters to Include in Metrics** page. Click **Apply Selections**.

### 3 View Results & Progress

It is easy for you to see trends and to track improvement for your entire portfolio of buildings with a variety of standard graphs and reports in Portfolio Manager. Follow these steps to view reports about your properties and to assess progress.

- ✓ Click the **Reporting** tab to view graphs and reports for a property or portfolio.
- ✓ Click on the **Charts & Graphs** options to instantly see colorful graphs of how your portfolio or group of properties is performing. You can print graphs or download the images to incorporate into a presentation or document.
- ✓ View the **Templates & Reports** section to see a list of available standard reports, including Performance Highlights, Energy Performance, and Water Performance. Select **Generate New Report** from the **Action** drop-down menu to create a spreadsheet.



#### Learn More!

To learn more about Portfolio Manager, visit [www.energystar.gov/portfoliomanager](http://www.energystar.gov/portfoliomanager).  
To get answers to your questions, visit [www.energystar.gov/buildingshelp](http://www.energystar.gov/buildingshelp).

## Appendix F: Pre-Application

*[See Attached]*



## Appendix G: Final Application

*[See Attached]*

# Appendix H: Qualified Contractor Terms and Conditions

## Philadelphia Qualified Contractor Terms and Conditions

The Philadelphia Commercial Property-Assessed Clean Energy Program (Philadelphia C-PACE) is an open market program that allows Property Owners to select the Qualified Contractor, Qualified Engineering Professional, and C-PACE Capital Provider that best fits the Property Owner's objectives. To install Energy Conservation Measures (ECMs) funded through a C-PACE Special Assessment, an installation contractor must submit a self-certification related to the Terms and Conditions herein as part of the Final Application. This document defines the terms and conditions to which all Qualified Contractors must adhere. Philadelphia C-PACE and the Qualified Contractor are the parties to these terms and conditions and may be referred to herein individually as Party or jointly as The Parties.

### General Provisions

Term of the Agreement: Qualified Contractor status shall commence on the date an application is approved by the Program Administrator and shall continue until terminated in writing by either party.

No Guarantee of Additional Business: Philadelphia C-PACE makes no representations or guarantees that the Qualified Contractor will obtain additional business revenue or opportunities through its participation in the program.

Relationship of the Parties: Qualified Contractor may present itself as a Qualified Contractor in the Philadelphia C-PACE Program. By submitting this self-certification, Qualified Contractor does not become an agent, employee, or representative of the Philadelphia C-PACE Program. The Parties shall not be considered to be joint ventures, partners, agents, servants, employees, fiduciaries, or representatives of each other, and no Party shall have the right or power to bind or obligate any other Party to, or third-party beneficiary of, these terms and conditions.

Indemnification: Qualified Contractor agrees to defend the Philadelphia C-PACE Program, the Program Administrator and each agency, officer, employee, agent or any other party acting for or on behalf of the Program Administrator (the "Program Administrator Indemnified Parties") from, and indemnify and hold each of them harmless against, any and all losses, liabilities (including settlement costs and amounts, transfer taxes, documentary taxes, or assessments or charges made by any governmental authority), claims, damages, interest judgments, costs, or expenses, including without limitation, reasonable fees and expenses of the Program Administrator Indemnified Parties' legal counsel or other professionals ("Losses") arising out of or related to any act or omission, negligence or willful misconduct, or the participation in the C-PACE Program of the Qualified Contractor, its directors, officers, employees, subcontractors, or agents of Qualified Contractor or its subcontractors, including, but not limited to, the failure of Qualified Contractor to properly and/or timely pay any wages and/or benefits to the Qualified Contractor's employees, provided that the Contractor will not be liable to the extent such losses arise from gross negligence or willful misconduct on the part of the Program Administrator as determined in a final and non-appealable judgment of a court or competent jurisdiction. The obligations of Qualified Contractor under this section shall survive termination or expiration of Qualified Contractor's status and shall

be in addition to the warranty obligations of Qualified Contractor. Qualified Contractor waives the right to bring or assert any claim against Philadelphia C-PACE and its vendors relating to its C-PACE Program participation and status as a Qualified Contractor (including listing as a Qualified Contractor) and releases Philadelphia C-PACE and its vendors from any and all liability therefore or relating thereto.

Use of Philadelphia C-PACE Logo: Qualified Contractor may include the Philadelphia C-PACE logo and program name in its marketing materials and may provide Philadelphia C-PACE program materials to its customers. Qualified Contractor may not imply or state that it is a representative of the Philadelphia C-PACE program or that it has been endorsed by the Philadelphia C-PACE program. If the Program Administrator terminates the contractor's status as a Qualified Contractor, contractor must immediately discontinue the use of the Philadelphia C-PACE logo and program name in its marketing materials.

### **Qualified Contractor Responsibilities**

True and Accurate Information: Qualified Contractor shall provide true, accurate, current, and complete information on the Philadelphia C-PACE Qualified Contractor self-certification. Contractor is required to ensure, update, and maintain the truthfulness, accuracy and completeness of all information that it provides on its Qualified Contractor application.

Licensing and Registration: Qualified Contractor shall be and remain licensed, authorized to conduct business, and in good standing in all jurisdictions in which it conducts business, including the Commonwealth of Pennsylvania and the City of Philadelphia, and shall have the legal authority and power to offer, sell and/or install improvements that are permanently affixed to real property. Qualified Contractor agrees to notify the Philadelphia C-PACE Program Administrator of any future changes to the licenses and certifications that it possesses. As a condition of approval of the Qualified Contractor or any time following approval of the Qualified Contractor, the Philadelphia C-PACE Program Administrator may request copies of all relevant licenses held by the Qualified Contractor. Qualified Contractor agrees to promptly provide the requested copies of licenses to the Philadelphia C-PACE Program Administrator.

Adherence to Laws, Regulations, and Program Guidelines: Qualified Contractor shall comply with all laws, ordinances and regulations. Qualified Contractor shall also comply with the Philadelphia C-PACE Program Guidelines, which define the requirements and processes of the Philadelphia C-PACE program. The Philadelphia C-PACE Program Guidelines may be revised from time to time without notice by Philadelphia C-PACE, or its designee. It is the Qualified Contractor's responsibility to verify current program requirements and procedures and to comply with all laws, ordinances, regulations, and program guidelines.

Insurance: Qualified Contractor agrees to carry appropriate insurance for its type of business.

### **Philadelphia C-PACE Responsibilities**

No Endorsement: The Program Administrator does not verify, vet, endorse, or rank Qualified Contractors. C-PACE Capital Providers may maintain additional requirements that a Qualified Contractor must satisfy in order for the C-PACE Capital Provider to approve C-PACE Financing for ECMs that Qualified Contractor installs.

Right to Remove Contractor: Program Administrator reserves the right to revoke an installation contractor's Qualified Contractor approval, effective for all future projects, if the Qualified Contractor ceases to be qualified under these Program Guidelines.

Information Sharing: By submission of a Philadelphia C-PACE Qualified Contractor application, Qualified Contractor agrees that information provided on the application may be published or otherwise publicly disseminated.

### **Authorization**

By submitting the Philadelphia C-PACE Qualified Contractor Application as part of the C-PACE Project Final Application, you represent that you are authorized to act on behalf of the Qualified Contractor and that the Qualified Contractor accepts and agrees to the Philadelphia C-PACE Qualified Contractor Terms and Conditions. I declare under penalty of perjury that the foregoing statement is true and correct, and I am aware that if I present any material matters as true which I know to be false, I may be subjected to penalties prescribed for perjury under the laws of the Commonwealth of Pennsylvania.

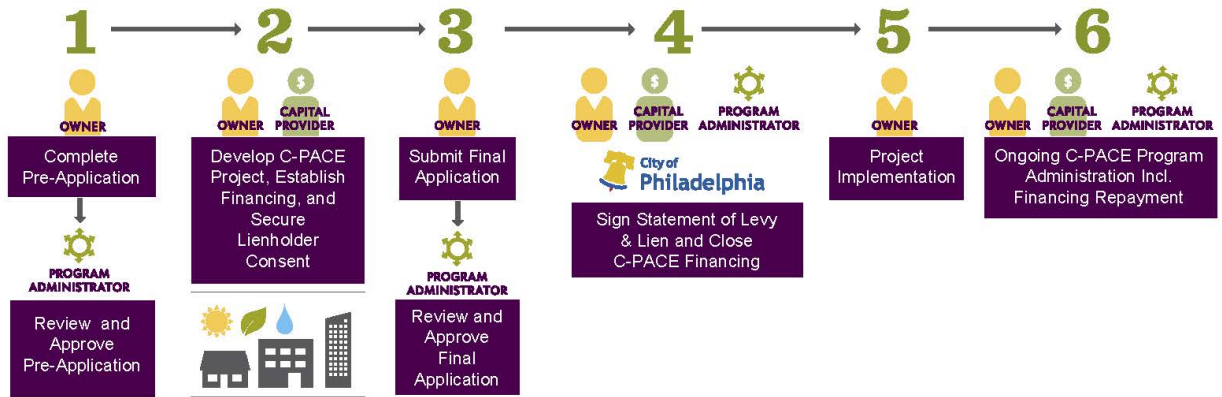
\_\_\_\_\_  
Signatory Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Company Name

## Appendix I: C-PACE Application Process Diagram



## Appendix J: Mortgage/Lien Holder Consent

### Notice of Proposed C-PACE Special Assessment and Request for Financial Institution Consent to Participate in Philadelphia C-PACE Program

**Notice Date:**

**Financial Institution:**

**Street:**

**City/State/Zip Code:**

**ATTN:**

**Property/Loan Information:**

**Address:**

**Loan Number:**

Why has the Financial Institution received this notice?

The Property Owner listed below owns the subject property. Your Financial Institution holds a lien, mortgage or security interest or other encumbrance on the property.

**[Property Owner]** wishes to install energy efficiency, water conservation or renewable energy upgrades to the property using Commercial Property-Assessed Clean Energy (C-PACE) financing known as the “Philadelphia C-PACE” program. The Property Owner requests your consent for the property to participate in the program.

#### Background on C-PACE in Philadelphia

Pennsylvania Statute (Act 30) authorizes Pennsylvania municipalities or counties to establish a C-PACE program in their communities. On August 14, 2019, Philadelphia Mayor Jim Kenney signed legislation creating the Philadelphia C-PACE program and designating the Philadelphia Energy Authority as the Program Administrator. C-PACE financing helps stimulate local economies by ensuring that owners of agricultural, commercial and industrial properties can obtain low-cost, long-term financing for energy efficiency, renewable energy, and water conservation projects.

With C-PACE, the financing for qualifying projects is repaid by a voluntary assessment on the property that is collected alongside the regular property taxes payments. Assessments have long been used to pay for improvements to real property that meet a public policy objective, such as sidewalks, parks, lighting districts, and water and sewer projects. Like other assessments, C-PACE Payments must be current upon the sale of a property and remain with a property upon sale. As with other assessments, if a property is sold in liquidation, any C-PACE Payment in arrears have the same priority status as a lien for any other tax.

To qualify, the proposed project must meet the following basic criteria:

- The property is located in Philadelphia;
- The property is an agricultural, commercial, or industrial property;

- The proposed measures reduce energy consumption, water consumption, and/or increase the production of on-site renewable energy;
- The proposed measures are permanently affixed to the property;
- The property is current on all municipal property tax and assessment payments;
- The proposed project meets the requirements;
- **The Property Owner receives consent of the current mortgage/lien holder(s).**

Why should your Financial Institution consent to the C-PACE Special Assessment?

1. Projects financed through C-PACE generally reduce building operating costs and therefore increase a property's collateral value. Under the Philadelphia C-PACE eligibility requirements, a proposed project must include a scope of work, an energy baseline or water usage baseline, and the projected energy savings or water usage reductions. A third-party Qualified Engineering Professional will confirm the energy savings assumptions prior to closing the financing. Lower operating costs typically raise a property's value, improving its collateral value for your Financial Institution's mortgage.
2. C-PACE payments do not accelerate. In the event a mortgage holder or lien holder forecloses on the property for any reason, only the C-PACE payments currently due and in arrears would be payable, which is likely a relatively small proportion of the total amount financed. In the event of a property sale, the remaining C-PACE Financing runs with the land and would be paid by the new property owner as property taxes are due.
3. Projects financed through C-PACE often reduce maintenance and repair costs, and improve a building's health and comfort, making it more attractive to tenants and future owners.

What should your Financial Institution know?

**[Building owner]** has indicated its intention to apply for C-PACE Financing for improvements outlined in **Appendix A** on the property listed above. The C-PACE Financing will be levied on the property pursuant to an agreement among the property owner, the City of Philadelphia, Program Administrator, and the project funding source. The C-PACE Special Assessment terms will consist of:

- Total cost of improvements:
- Utility rebates/incentives:
- Total C-PACE financing requested (+/- 5%):
- Annual interest rate not to exceed:
- Term of repayment:
- Total estimated annual C-PACE Payments:
- # Payments per year:

Estimated Benefits of the Improvements

Based on the recently prepared ECM and/or Renewable Energy Feasibility Survey, the following savings are estimated to result from the installation of the C-PACE project:

- Annual Electric Bill Expected Savings: \$
- Annual Water Bill Expected Savings: \$
- Other Savings (specify):



- Federal Investment Tax Credit = \$
- C-PACE Interest Deduction (cash value @ 21% tax rate) = \$
- Depreciation Cash Impact (cash value @ 21% tax rate) = \$
- Total Estimated Annual Savings: \$

**NOTE: The savings noted above represent estimates based on the assumptions contained in the [Building Owner's engineer's] ECM Survey. In order to close C-PACE Financing, a qualified third party will confirm the estimates.**

Purpose of this Notice

As required by the C-PACE Program Administrator, **[Name of Property Owner]** is sending this Notice of Proposed C-PACE Special Assessment and Request for Financial Institution Consent to Participate in Philadelphia C-PACE to:

- (i) Provide notice of **[Property Owner's]** proposed participation of the identified property in the program;
- (ii) Request confirmation from your Financial Institution (a current mortgage/lien holder) that the levy of the C-PACE Special Assessment will not trigger a default nor the exercise of any remedies under your Financial Institution's Loan documents,
- (iii) Provide notice that the C-PACE Special Assessment will be collected in installments that are subject to the same penalties, remedies and lien priorities as real property taxes, and
- (iv) Declare the **[Name of Property Owner]**'s agreement to pay on a timely basis both the existing obligations secured by the property (including the Loan) and the proposed C-PACE Special Assessment payments.

Execution and Return of Consent. The Property Owner would appreciate your Financial Institution executing the attached Consent to Participate in Philadelphia C-PACE and returning it to the undersigned at your earliest convenience.

Very truly yours,

BY: (signature): \_\_\_\_\_

**PROPERTY OWNER NAME:**

**MAILING ADDRESS (if different than Property address):**

**Mortgage/Lien Holder Acknowledgement to C-PACE Payments and Consent for Property Owner to Participate in Philadelphia C-PACE**

**Date:**

**Property/Loan Information**

**Building Address:**

**OPA Account Number:**

**Mortgage Holder:**

**Loan Number:**

This Mortgage/Lien Holder Acknowledgement to C-PACE Special Assessment ("Acknowledgement") is given by the undersigned entity (the "Mortgage/Lien Holder") with respect to the above-referenced loan ("Loan") and property ("Property") in relation to the Philadelphia C-PACE program administered by the Program Administrator

**RECITALS**

- A.** Mortgage/Lien Holder is in receipt of written notice ("Notice") from the owner of the Property ("Property Owner") that it intends to finance the installation on the Property of certain energy efficiency, renewable energy or Water Conservation Projects that will be permanently fixed to the Property ("Authorized Improvements") and that will be financed by participating in the Philadelphia C-PACE program (the "Program").
- B.** Mortgage/Lien Holder understands that, as a result of an agreement between the Program Administrator (the Philadelphia Energy Authority), the City of Philadelphia, the Property Owner and the C-PACE Capital Provider that the C-PACE Special Assessment Payments described in the C-PACE Statement of Levy and Lien Agreement and C-PACE Financing Agreement will be levied on the Property, and that the C-PACE Special Assessment Payments will be managed by the Program Administrator.
- C.** The Property Owner has agreed in a manner acceptable to Mortgage/Lien Holder to pay on a timely basis both the existing obligations secured by the Property (including the Loan) and the proposed C-PACE Special Assessment Payments.
- D.** The Mortgage/Lien Holder consents to the Property Owner's participation in the Program, including but not limited to the levy of C-PACE Special Assessment on the Property.

*[Continued on next page]*

## ACKNOWLEDGEMENT

The undersigned hereby represents that it is authorized to execute this Acknowledgement on behalf of the Mortgage/Lien Holder. The Mortgage/Lien Holder hereby:

- (i) Confirms that it has received the Notice;
- (ii) Acknowledges the levy by the City of Philadelphia of the C-PACE Special Assessment pursuant to the terms of the C-PACE Statement of Levy and Lien Agreement and C-PACE Financing Agreement; and
- (iii) Agrees that the levy of the C-PACE Financing will not constitute a default nor trigger the exercise of any remedies under the Loan documents.

The Mortgage/Lien Holder hereby acknowledges that the Property Owner, the City of Philadelphia, and the Program Administrator, will rely on the representation and acknowledgement of the Mortgage/Lien Holder set forth in this Acknowledgement. The Recitals are integrated into and made a part of this Acknowledgment.

### Mortgage/Lien Holder:

By:

Signature:

Title:

Date:

In witness whereof, \_\_\_\_\_ has caused its name to be signed this \_\_\_\_\_ day of

\_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_, \_\_\_\_\_

## Appendix K: Program Administrator Release and Indemnification Agreement

The Property Owner of \_\_\_\_\_ hereby acknowledges that it hereby releases and holds harmless the Program Administrator with respect to its actions in the administration of the C-PACE Program and recognizes that:

- The Program Administrator does not provide legal advice and will not mediate any disputes between any participants in Philadelphia C-PACE, including but not limited to, Property Owners of Eligible Properties and their tenants, C-PACE Capital Providers, Qualified Contractors, energy service companies, and utilities.
- In addition to other designated and implied responsibilities in the C-PACE Program, Applicant is responsible for reviewing the terms, conditions, and obligations implied by the C-PACE Statement of Levy and Lien Agreement, as well as the terms of any supplemental agreements with the C-PACE Capital Provider and all agreements with Qualified Contractors, Qualified Engineering Professionals, and any other parties to the project.
- The Program Administrator does not provide any assurance of the Qualified Contractor's or Qualified Engineering Professional's ability to perform C-PACE Project work.
- The Program Administrator does not provide any accounting advice regarding how a Property Owner should treat the C-PACE Financing in their books and records.
- The Program Administrator has the right to review all projects for eligibility and may approve C-PACE Projects for C-PACE Financing according to the standards and criteria set forth in the Program Guidelines.
- The Program Administrator retains ultimate discretion whether to approve a C-PACE Project.
- C-PACE Capital Providers are prohibited from releasing, and installation contractors are prohibited from receiving, final payment for a C-PACE Project until the required parties have duly executed a Completion Certificate and the Program Administrator has accepted the Completion Certificate.
- Property Owner agrees to compel any party with which it contracts for its C-PACE Project to defend the Program Administrator and each agency, officer, employee, agent or any other party acting for or on behalf of the Program Administrator (the "Program Administrator Indemnified Parties") from, and indemnify and hold each of them harmless against, any and all losses, liabilities (including settlement costs and amounts, transfer taxes, documentary taxes, or assessments or charges made by any governmental authority), claims, damages, interest judgments, costs, or expenses, including without limitation, reasonable fees and expenses of the Program Administrator Indemnified Parties' legal counsel or other professionals ("Losses") arising out of (a) the contractor's negligence or willful misconduct or (b) the contractor's participation in the Program, provided that the contractor will not be liable to the extent such Losses arise from gross negligence or willful

misconduct on the part of the Program Administrator Indemnified Parties as determined in a final and non-appealable judgment of a court or competent jurisdiction.

- The City of Philadelphia and Program Administrator:
  - Do not endorse any particular C-PACE Capital Provider, Qualified Contractor, Qualified Engineering professional, engineering firm, manufacturer, product, system designer, or system design by this offering.
  - Are not responsible for any tax liability imposed on the recipient as a result of the payment.
  - Make no representation or warranty, and assume no liability with respect to the quality, safety, performance, or other aspect of any design, consulting, product, system, equipment, or appliance installed or received and expressly disclaim any such representations, warranties, and liability, including, but not limited to, any implied warranties of merchantability or fitness for a particular purpose. Property Owners should contact their contractors for detailed manufacturer equipment warranties.
  - Do not guarantee that installation and operation of energy efficiency, water conservation or clean energy generation equipment will result in reduced usage or in cost savings to a Property Owner or any occupants of an Eligible Property.
  - Are not responsible for the proper disposal/recycling of any waste generated as a result of this project.
  - Are not liable for any damages, including any incidental or consequential damages, arising out of the operation or malfunction of the products, equipment, or appliances, or the installation thereof related to a C-PACE Project.
  - Program Administrator reserves the right to publicize participation in the program.
  - Upon reasonable notice period, a Program Administrator representative may schedule a site visit to verify that qualified products, systems, equipment, or appliances were installed.

### Authorization

I declare under penalty of perjury that I have reviewed and understand the above disclosures relating to the Program Administrator of the Philadelphia C-PACE Program.

\_\_\_\_\_  
Signatory Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Property Address

\_\_\_\_\_  
OPA Account Number

## Appendix L: Diversity and Inclusion Plan

As part of the Final Application, Property Owner must submit a statement outlining the ways in which the Property Owner and Qualified Contractor engaged on the C-PACE Project are committed to local and diverse workforce and business ownership. Equity and inclusion are a core principle of the work of the Philadelphia Energy Authority and are of paramount importance to the City of Philadelphia.

Property Owner should explain steps being taken to engage diverse, local suppliers and workforce, which could include actions such as (but not limited to) the following:

- a. Recruiting applicants for new or contracted positions who reside in the City of Philadelphia, who identify as minority, women, disabled, returning citizens, and/or veterans.
- b. Seeking descriptions from contractors of how they encourage diverse applicants when hiring.
- c. Engaging contractors and subcontractors to perform commercially useful functions who qualify as Minority Business Enterprises (“MBE”), Woman Business Enterprises (“WBE”) and Disabled Business Enterprises (“DBE”) (collectively, “M/W/DBE”). The M/W/DBE subcontractors must be certified by a Certifying Agency.
- d. Engaging contractors and subcontractors to perform commercially useful functions who are located geographically in or near the City of Philadelphia.
- e. Seeking contractors and subcontractors who employ a diverse, local workforce.
- f. Asking contractors to provide data on the diversity and residence of their employees.

Property Owner may choose to submit information in whatever format it deems most appropriate for its specific plan. The Program Administrator is seeking evidence of a thoughtful approach to diversity and inclusion, and how each project provides value and promotes equity for the City of Philadelphia. Plans must be specific to the proposed project. Generic plans will not be accepted. Property Owners, Capital Providers or Contractors may request a pre-review with the Program Administrator to ensure compliance.