



Colorado Commercial Property
Assessed Clean Energy

PROGRAM GUIDE

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COLORADO
Energy Office

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OVERVIEW

Welcome to the Colorado commercial property assessed clean energy (C-PACE) program. This guide is intended to help all parties involved in a C-PACE transaction understand how Colorado C-PACE works.

PROGRAM OVERVIEW

Colorado C-PACE is a state-sponsored program that helps building owners and property developers access private-sector financing for the installation of energy efficiency, water conservation, and renewable energy improvements. Spearheaded by the [Colorado Energy Office](#) and overseen by the [New Energy Improvement District](#), also known as “NEID” or “the District,” Colorado C-PACE projects lower energy and water costs, increase renewable energy deployment, reduce greenhouse gas emissions, and create local jobs.

More than 30 states have C-PACE-enabling legislation on the books. In Colorado, the General Assembly passed the New Energy Jobs Creation Act of 2010 (HB 10-1328), as amended by the New Energy Jobs Act of 2013 (SB-13-212) and SB-171, enacted in 2014. These statutory provisions are codified at C.R.S. 32-20-101 et seq. (collectively, the C-PACE Statute).

NEID was established by the C-PACE Statute, which directed it to create a statewide C-PACE program. To participate, each county in the State of Colorado must opt into the District by a resolution of their Board of County Commissioners. View a list of [participating counties](#).

HOW C-PACE WORKS

C-PACE programs enable owners of commercial, industrial, agricultural, nonprofit, and multifamily buildings (with five or more units) to use private-sector money to finance qualifying energy efficiency, renewable energy generation, water conservation, and other improvements to the property to reduce its energy or water use.

C-PACE is economically attractive because it offers up to 100 percent financing for existing building retrofit projects and up to 20 percent financing for new construction projects, with terms that extend up to 25 years. In addition, since the financing is tied to the property, the owner is typically not required to sign a personal guarantee. Best of all, well-designed projects are often cash-flow positive, meaning the energy cost savings outweigh the C-PACE payments.

Banks, credit unions, and specialty private capital firms, also known as capital providers, finance C-PACE projects. Repayment is secured by a voluntary special purpose assessment, similar to a sewer assessment, that is recorded against the property and billed as a separate line item on the property tax bill.

Multiple [qualified capital providers](#), or QCPs, have registered with the C-PACE program to finance eligible projects. Property owners can select a C-PACE-qualified capital provider to fund their project, or, at the request of a building owner, the program administrator can solicit financing term sheets from participating QCPs.

QCPs and their project development partners are encouraged to develop projects for submission to the program administrator for approval. In such instances, the program administrator will not solicit financing terms from other QCPs, and will work solely with the originating QCP or the QCP designated by the project developer/building owner.

From start to finish, C-PACE projects can typically be financed within 45 to 90 days.

PROGRAM BENEFITS

Colorado C-PACE benefits a broad range of stakeholders.

Building Owners

Colorado C-PACE helps building owners reduce their operating costs, improve the value and market competitiveness of their asset, meet energy performance goals, and increase the net operating income of their building. Major benefits include:

Up to 100% Financing	Many owners lack the capital they need to pay for beneficial energy improvements and equipment upgrades. C-PACE solves this problem by providing up to 100 percent financing for eligible improvements.
Long-term Financing	While commercial real estate lenders typically provide five- to ten-year financing, the longer-term, fully amortized nature of Colorado C-PACE enables building owners to pursue more capital-intensive, comprehensive energy upgrades. The maximum term is set by the weighted average effective useful life of the improvements (up to 25 years). In well-designed projects, the energy cost savings resulting from the improvements often exceed the C-PACE payments, resulting in cash-flow-positive projects.
No Personal Guarantee	C-PACE is property-based financing secured by a voluntary assessment (lien). As a result, the owner is typically not required to sign a personal guarantee.
Transfers Upon Sale	Owners who sell their building before the assessment is repaid can transfer the repayment obligation to the next owner (like a sewer assessment).
Cost Recovery	C-PACE may help solve the split incentive that arises between owners and tenants. Owners are less likely to install comprehensive energy improvements when tenants receive the financial benefits (lower utility bills). Under some leases, C-PACE may enable landlords to pass on the benefits and the cost of the assessment to tenants.

Developers

Commercial property developers can use C-PACE financing to reduce their weighted average cost of capital for new construction projects.

Contractors

C-PACE makes energy efficiency and renewable energy projects economically attractive to building owners, so contractors who offer C-PACE are able to close more projects and grow their business.

Capital Providers

C-PACE investments are secured by a special assessment lien, which is senior to commercial mortgages and deeds of trust and is equal (*pari passu*) in priority to other special assessments on the property, and junior to general property tax liens. As a result, capital providers who work with the C-PACE program may receive attractive project finance opportunities.

Mortgage Holders

C-PACE is a savings-based program, meaning a project must reduce the energy cost of a building in order to qualify. C-PACE encourages projects that generate energy cost savings in excess of the repayment obligation. Such projects typically result in a building that will see increased net operating income, increased debt service coverage ratio, increased value, and a greater return on investment. Once the project is complete, the existing mortgage holder's loan is typically more secure due to the borrower's increased cash flow. In addition, the upgraded property is more valuable. (Note also that the C-PACE assessment does not accelerate. In the event of a default, only the amount in arrears comes due.) [View a list](#) of financial institutions that have consented to C-PACE projects to date.

Communities

C-PACE builds on a long history of benefit assessments that a government can levy on real estate parcels to pay for the installation of projects that serve a public purpose, such as sewer and fire protection districts. C-PACE serves the important public purpose of reducing energy costs, water use, and waste. Project investments improve building stock, reduce greenhouse gas emissions, improve air quality, and create jobs—all with private capital, and not taxpayer dollars.

KEY PARTIES TO A C-PACE TRANSACTION

Building Owner	The legal owner of the eligible property upon which the eligible improvements will be installed.
Capital Provider	Also referred to as lenders, capital providers include local and national banks, credit unions, and specialty finance firms approved by the District to provide C-PACE financing.
Contractor/Project Developer	The licensed firm or individual registered with the program that develops the project scope of work, proposal, and analytics, and typically oversees or coordinates the work required for the installation or construction of the energy improvements.
Energy Auditor/Consultant	The accredited professionals who provide ASHRAE Level I, II, and III energy audits.
Mortgage Holder	The entity that holds the first mortgage on the property.
NEID	The New Energy Improvement District, or “District” is a seven-member volunteer board made up of professionals with various commercial real estate backgrounds. The NEID was established by the state legislature to implement and oversee C-PACE in Colorado.
Program Administrator	The entity that works with the District to administer Colorado C-PACE. Program administrator duties include but are not limited to establishing quality assurance and financing standards, supporting project origination efforts, qualifying capital providers and contractors, promoting C-PACE, assisting with county opt-in, coordinating project closings and the post-closing process, and assisting as needed in mortgage holder consent discussions. Sustainable Real Estate Solutions (SRS) serves in this capacity.

KEY CONTACTS

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ELIGIBILITY

PROPERTIES

To be eligible for C-PACE financing, projects must be located on eligible real property and be owned by an eligible property owner (including individuals, business entities, and nonprofit companies). A parcel of real property is eligible for C-PACE if it:

1. Is located in a county that has joined the statewide C-PACE New Energy Improvement District. [View a list](#) of participating counties.
2. Represents a retrofit to an existing building and:
 - (a) includes a building, other than a residential building, which could include an office or retail or lodging building, an industrial or agricultural building, or multifamily housing (five or more units), or
 - (b) contains an improvement or connected land that, for purposes of ad valorem taxation, is billed with a parcel meeting the requirements of paragraph 2(a). For example, if a commercial building occupies 25 percent of a tax parcel of property, subject to applicable zoning/density regulations, C-PACE financing could be used to install solar panels on the remainder of the parcel.
3. If the parcel represents new construction, the new construction must:
 - (a) comprise the construction of a building, other than a residential building containing four or fewer units, and
 - (b) may also include upgrades to an improvement or connected land that, for purposes of ad valorem taxation, is billed with a parcel meeting the requirements of 2(a). The example given in 2(b) (above) applies here. The only difference is that the solar project would be on land connected to a new construction project.
4. The property is (or is eligible to be placed) on the property tax rolls of a county in which it is located and has a property tax identification number.

Buildings owned by state and local government agencies are also eligible for C-PACE financing. Applications from such agencies or local government entities will be reviewed by attorneys for both the NEID and the local agency or government entity to ensure that the building ownership and C-PACE financing does not trigger Colorado's Taxpayer Bill of Rights (TABOR).

PROJECTS

Projects eligible for Colorado C-PACE financing must be: 1) located on eligible real property owned by an eligible property owner, and 2) include an energy efficiency improvement, water conservation measure, or a renewable energy improvement.

Under the C-PACE Statute, an energy efficiency improvement eligible for C-PACE financing means one or more installations or modifications to the property that will reduce utility costs. Appliances and other measures that are not permanently attached to the building are generally ineligible unless they are part of a package of measures that consist primarily of eligible measures. The list below shows the types of

energy efficiency improvements that may be financed using C-PACE. (The list is not comprehensive. Any measures that result in utility cost savings and meet other program criteria will be considered.)

- Insulation in walls, roofs, floors, and foundations and in heating/cooling distribution systems;
- Storm windows and doors, multi-glazed windows and doors, heat-absorbing or heat-reflective glazed and coated window and door systems, additional glazing, reductions in glass area, and other window and door system modifications that reduce energy consumption;
- Automatic energy control systems;
- Heating, ventilating, or air conditioning and distribution system modifications or replacements;
- Caulking and weather-stripping and other air sealing measures;
- Replacement or modification of lighting fixtures and controls to increase the energy efficiency of the system;
- Energy recovery systems;
- Daylighting systems (e.g., skylights, controls, light shelves);
- Combined heat and power (CHP) and waste-to-power projects;
- Electric vehicle charging equipment added to the building or its associated parking area;
- Ground-source heat pumps;
- Elevator modernization projects;
- Green roofs;
- Any other modification, installation, or remodeling approved as a utility cost-savings measure by the District, including water conservation fixtures (indoor or outdoor, and for hot or cold water).

The District prefers permanently installed measures. However, it will consider projects that include other measures, as long as they demonstrate that an effort will be made to ensure that these measures will remain installed throughout their useful lives. If owners or contractors propose a measure not listed that can be shown to be a utility-cost-saving measure, such a measure must be described in the project proposal. The description should include technical support for the assertion that the measure will save utility costs, consistent with the NEID's guidance that projects with an overall savings-to-investment ratio greater than one are preferred. (The savings include total savings over the lifetime of the improvements. The investment is the total capital investment including all fees and interest charges.) The District's board will review the project proposal and determine whether such a measure is eligible.

OTHER ELIGIBLE EXPENSES

Subject to acceptance by the qualified capital provider, project-related expenses associated with a C-PACE financing may be capitalized. These costs may include:

- Energy/water audit costs;
- Renewable energy feasibility study costs;
- Engineering and design expenses, including dynamic building simulation for new construction;
- Construction and installation costs, including labor and equipment;
- Commissioning costs;
- Prepaid operation and maintenance expenses for a period of up to five years, including measurement and verification costs;
- Costs of an extended warranty covering the full finance term for equipment financed;

- Any capital provider or project developer fees and/or required prepaid interest;
- Program and permit fees;
- Other project-related expenses approved by the District;
- Ineligible measures that do not exceed 30 percent of the total project cost.

INELIGIBLE IMPROVEMENTS

Other than custom measures approved by the District, all C-PACE-related improvements must be permanently affixed to the subject property and be reasonably expected to save energy or water or generate renewable energy. The program cannot finance projects that include:

- Any combination of measures that do not result in utility cost savings;
- Measures that are not permanently attached to the subject property or building and which can be easily removed (not including certain lighting upgrades the District determines are unlikely to be removed);
- Any measure that is not commercially available;
- Health and safety improvements not directly related to or otherwise incorporated in the energy improvement;
- General construction costs.

Ineligible measures may be included in the amount financed provided the proportion of ineligible measures to eligible measures does not exceed 30 percent of the total project cost (eligible measures, eligible expenses, and ineligible measures). The inclusion of any given measure will be up to the C-PACE program administrator and the District Board. When in doubt, consult with the program administrator. Examples of ineligible measures that may be included in the C-PACE financing include:

- A like-for-like roof upgrade associated with the installation of a roof-mounted solar photovoltaic array (however, if the roof upgrade results in energy savings such as through improved insulation, the roof upgrade would be considered an eligible measure);
- Asbestos abatement associated with a boiler retrofit;
- New pads to support new plant equipment, such as a new chiller;
- Replacement of ductwork and terminal boxes associated with a packaged rooftop unit replacement;
- Relocation of equipment associated with the installation of energy saving measures, such as relocating a packaged rooftop unit to better serve redistributed loads within a building;
- Rerouting of a fire sprinkler system to accommodate a new HVAC system;
- Electrical upgrades associated with a new solar photovoltaic system;
- Carports supporting a solar photovoltaic array;
- Demolition of an existing parking lot and installation of a new parking lot to allow for installation of a bore field associated with a new ground source heat pump system;
- Shading devices or window coverings;
- Vending machine controls.

RENEWABLE ENERGY IMPROVEMENTS

The C-PACE statute permits the financing of renewable energy improvements, installed on the customer side of the electric meter, that produce energy from renewable resources. These include, but are not limited to, photovoltaic, solar thermal, small wind, low-impact hydroelectric, biomass, or fuel cells.

The specific requirements for C-PACE financing of renewable energy improvements that are part of a community solar garden¹ or located in a qualified community location² remain under consideration by the District. For now, such projects are ineligible for C-PACE financing.

Proponents of renewable energy projects must submit a renewable energy feasibility study.

ENERGY SAVINGS REQUIREMENT

Under the C-PACE Statute, energy improvements may be financed under the program provided they generate utility cost savings. There is no statutory requirement that the projects generate positive cash flow based on energy savings. This means that if the District is satisfied that the project will generate utility cost savings, this statutory requirement will be satisfied.

While the statute does not require a demonstration of a savings-to-investment ratio (SIR) greater than one, the District encourages projects with SIRs greater than one because:

- Capital providers look favorably on projects that show positive cash flow;
- Mortgage holders are more likely to consent to the imposition of the senior C-PACE lien for projects that show positive cash flow;
- In general, the higher the SIR, the greater the environmental benefits of the project, helping to promote the goals for the program set forth in the C-PACE Statute.

The SIR is calculated as the ratio of the total projected energy and water utility cost savings over the lifetime of the measures, divided by the total cost of the measures, including all fees and interest charges. For new construction, the energy savings should be calculated as the incremental energy savings gained above the determined minimum requirements specified in the new construction section of this document.

¹ "Community solar garden" means a solar electric generation facility with a nameplate rating of two megawatts or less and located in or near a community served by a qualifying retail utility where the beneficial use of the electricity generated by the facility belongs to the subscribers to the community solar garden. There shall be at least ten subscribers. The owner of the community solar garden may be the qualifying retail utility or any other for-profit or nonprofit entity or organization, including a subscriber organization that contracts to sell the output from the community solar garden to the qualifying retail utility. A community solar garden shall be deemed to be "located on the site of customer facilities."

² Through a qualified community location, as defined in section 30-20-602 (4.3), C.R.S., enacted by Senate Bill 10-100 which passed in 2010. "Qualified community location" means: (a) If the affected local electric utility is not an investor-owned utility, an off-site location of a renewable energy improvement that: (I) Is wholly owned, through either an undivided or a fractional interest, by the owner or owners of the residential or commercial building or buildings that are directly benefited by the renewable energy improvement; (II) Provides energy as a direct credit on the owner's utility bill; and (III) Is an encumbrance on the property specifically benefited. (b) If the affected local electric utility is an investor-owned utility, a community solar garden, as that term is defined in section 40-2-127 (2), C.R.S. If House Bill 10-1342 does not take effect, there shall be no qualified community locations in the service territories of investor-owned utilities.

C-PACE PROCESS FLOW FOR EXISTING BUILDING RETROFITS

PROJECT PRESCREENING

To get started, building owners, developers, capital providers, and contractors are encouraged to submit a request to screen a property for eligibility. This no-cost prescreen includes a PACEcheck™ report, which contains a review of public records related to the property to identify the property type, approximate the existing mortgage value, and identify items such as any encumbrance that may slow the project application. To prescreen a property, the program only needs the property's address, and, if available, 12 months of recent utility data.

APPLICATION/PRE-QUALIFICATION SUBMISSION

When a property owner is ready to move forward with the program financing effort, the next step is for the property owner or his or her representative to submit a signed project Pre-qualification Submission (PQS) form to the program administrator to confirm program eligibility. Once confirmed, the program administrator will send a letter of eligibility to the owner and schedule a kickoff call with the owner(s) and project originator(s) to review the C-PACE process and the project scope and PQS form. The call will conclude with clear next steps so that all parties understand their responsibilities in the C-PACE process.

PROJECT DEVELOPMENT

Colorado C-PACE transactions recommend a minimum of an ASHRAE Level I energy audit, or a targeted energy study and/or renewable energy feasibility study that complies with the requirements outlined in the Technical Standards section of this guide. Contractors develop the scope of work and perform analysis with supporting documentation (contractors and developers must be registered with the program) to model various project scenarios with the goal of selecting an optimum mix of eligible measures that meets the building owner's needs. Once all parties agree on the optimized project, the program administrator will complete a quality assurance review of the project, develop an economics (PACEworx™) report and issue a Project Eligibility Report identifying the approved financing amount and the project's financial metrics.

MORTGAGE HOLDER CONSENT

Colorado legislation requires that all holders of existing mortgage/deed of trust liens against the property be notified of the proposed C-PACE transaction and requires that they consent to the recording of the special assessment lien. Written consent must be given before the program administrator will authorize the closing of the transaction. In parallel with the project development efforts, the program administrator may assist the property owner discussion with the mortgage holder to introduce the C-PACE program and proposed project, and prepare mortgage holder consent documentation for review and delivery by the owner to the mortgage holder with a request to discuss the financial merits of the project. Once consent is granted, the District will prepare a Preliminary Assessing Resolution and request a title search.

PROJECT FINANCING AND THE PRELIMINARY ASSESSING RESOLUTION

Once the project is defined and mortgage holder consent is secured, if an owner has not yet selected a capital provider, a pre-approved project funding opportunity package is sent to participating capital providers to solicit financing term sheets³. The program compiles these term sheets and delivers them to the owner, who will make a determination of which capital provider(s) they would like to engage to fund the project.

The Preliminary Assessing Resolution⁴ request results in notice to all lien holders of the intent to place the C-PACE lien with the county tax assessor. The request begins the legislatively required 30-day comment period leading up to the Final Assessing Resolution, where the lien is perfected and recorded with the county. The Preliminary Assessing Resolution period begins when all parties (building owner, developer/contractor, capital provider, and program administrator) agree that the project and related paperwork meet eligibility requirements.

With a capital provider selected, the owner and capital provider execute the program Assessment and Financing Agreement (AFA). This document is standard for all Colorado C-PACE-financed projects, while allowing the capital provider to tailor the agreement for each project within specific bracketed sections and in the form of Schedule II within the AFA template. The capital provider may request additional information from the building owner during this process to satisfy their specific underwriting criteria.

FINAL ASSESSING RESOLUTION

At the end of the required Preliminary Assessing Resolution 30-day comment period, the authorized representatives of the District will conduct a hearing on the Final Assessing Resolution to close out the project. Prior to the hearing, the fully-executed original copy of the AFA is submitted to the NEID and an electronic copy is delivered to the program administrator. In addition the original fully executed mortgage holder consent must be on file with the NEID and an electronic copy must be provided to the program administrator. When the program administrator has received the executed and notarized AFA agreement and determined that all statutory and program requirements have been met, the District will conduct the hearing on the Final Assessing Resolution with the building owner, the qualified capital provider, and other interested parties.

RECORDING AND ASSIGNMENT

Once the program administrator has received the executed documents and confirmed that all closing conditions have been met, general counsel for the District will cause the special assessment lien to be recorded in the real property records of the County in which the project is located. The capital provider shall be responsible for payment of all recording fees for the mortgage holder consent, AFA, and Final Assessing Resolution, the amount of which will be communicated to the capital provider by the program administrator. Following recording of the lien package, the NEID will return a time-stamped copy of the lien package to the capital provider, which serves as confirmation of lien placement, triggering the

³ If the owner has pre-selected a capital provider, the program will not solicit term sheets from other capital providers.

⁴ The 30-day Preliminary Assessing Resolution is a legislative requirement of all assessments seeking to be issued in Colorado.

release of funds in conjunction with the negotiated funds disbursement schedule or project disbursement agreement.

CONSTRUCTION/DISBURSEMENT

The capital provider is responsible for managing the disbursements of the financing during construction per the terms of the AFA. The property owner should refer to the agreement to understand the capital provider's requirements for periodic inspections, progress payments, and change orders.

CONSTRUCTION COMPLETION AND COMMISSIONING OVERSIGHT

The property owner should review the AFA to determine the process the capital provider will require to complete the construction phase of the project.

At the completion of construction, the program administrator will also perform a site visit and request supporting documentation regarding project implementation. This effort will result in a Commissioning Oversight Report for the building owner and, upon request, the capital provider. This report provides independent verification that the proposed measures were installed properly and have the ability to perform and provide the estimated energy cost savings, and/or will indicate any changes in the originally proposed implementation and their potential effect on the project's overall performance.

The District requires post-construction equipment startup upon project completion, either by the party that installed the project, or by a third party. It also recommends the submission of a report that contains at a minimum:

- A statement that systems have been installed in accordance with the contract documents, and that the systems are performing as expected;
- Identification and discussion of any substitutions, compromises, or variances between the final design intent, contract documents, and as-built conditions;
- A description of components and systems that exceed the owner's project requirements and those that do not meet the requirements, along with an explanation; and
- A summary of all issues resolved and unresolved and any recommendations for resolution.

While not required, a more formal commissioning effort is recommended for projects with greater complexity, uncertainty, or savings at risk.

SERVICING/REPAYMENT

Loans financed under the C-PACE program are repaid via special assessments included on the property tax bill. While property owners will find the C-PACE assessment as a separate line item, the payment will be made with property taxes and any other applicable special assessments. Property owners whose mortgage lenders require taxes to be escrowed should expect that the escrow amount will increase to include the C-PACE payments.

Owners should be aware that a failure to make a payment on a C-PACE assessment will give rise to the same consequences as a failure to pay property taxes, which could include penalty interest and fees as well as a tax sale to recover the amount owed. The C-PACE Act also grants the District the ability to file a civil action for foreclosure of the subject property (see C.R.S. 32-30-107(4)(e)).

PROGRESS PAYMENTS

For larger projects or those that will be constructed in phases, some capital providers may require disbursements to be made over time, subject to reaching certain milestones. In such cases, the capital provider will specify the documents and certifications required. It is important to note that although the property owner and/or its contractors will not have received all of the funds, interest in the full amount of the C-PACE assessment will begin accruing at the initial closing of the C-PACE transaction.

QUALITY ASSURANCE REVIEW REQUIREMENTS

AUDIT REQUIREMENTS

As a condition of financing, the District requires an energy audit, water audit, or renewable energy feasibility analysis that assesses the expected energy and/or water cost savings of the energy improvements over their useful lives.

- a. **Audits.** The District requires an ASHRAE Level I audit or better. This requirement is waived for single-measure projects involving like-for-like equipment replacements, in which the focus of the analysis can be performed solely on the equipment or systems involved in the retrofit (a lighting retrofit, for example), rather than a comprehensive audit of the entire building and its systems.
- b. **Renewable Energy Feasibility Study.** For all renewable energy improvements, the property owner must submit a Renewable Energy Feasibility Study. The feasibility study needs to provide enough information for the property owner or project developer and design team to make informed decisions about the types of technologies to include in the final project design. The feasibility study should be performed by a renewable energy expert with knowledge of the systems under consideration, including technical and design requirement issues, relevant policies and incentives, utility tariffs, interconnection issues, and NEPA evaluations (where necessary).

In general, the program requires the following documentation to support the technical aspects of the project:

Baseline (all projects)

- A minimum of 12 months of recent utility data for all energy types involved with the measures
- A minimum of two recent utility bills to verify rate schedules (one for summer, one for winter)
- Modeled baseline values (when not utility bill based)

Solar PV Projects

- PV system analysis using the [PACEworx Estimator: Solar PV Project](#). This web-based application integrates PVWatts® system production methodology and overlays the key assumptions for C-PACE financing.
- One-line schematic of PV system design and interconnection
- PV and inverter cut sheets
- Solar PV system, including inverter(s), unit pricing
- Extended inverter warranty costs to cover solar PV panels' EUL (in cases where financing term exceeds inverter EUL)
- Rebate/incentive documentation (i.e. Energy Smart, Solar Rewards)
- ITC/MACRS form to be executed (at the end of the pre-qualification submission form)
- Items needed before project closing (these do not need to be submitted for the economic evaluation of the system)⁵:

⁵ The program recognizes the following items require costs a solar contractor may not wish to incur until they are sure the building owner wants to move forward with the project. Therefore, these items can be completed after economic evaluation is complete, and the building owner has decided to move forward with the project.

- For roof-mounted systems:
 - A written professional opinion from a roof specialist regarding roof condition and an estimate of its remaining useful life
 - A written professional opinion from a structural engineer regarding the ability of the existing structure to support the solar PV system under wind and snow loading conditions
- Shading study
- Draft construction schedule

Energy Efficiency Projects

- Energy audit report – include at a minimum building description, baseline consumption and cost, and measure-level descriptions, costs, and savings projections
- Live spreadsheets or dynamic building simulation input files and output reports, based on level of project complexity, i.e. interactive effects
 - If an energy modeling approach is used: Report Model Input Table Workbook⁶
- Available supporting documentation used to inform the calculations/dynamic building simulation (building drawings, audit forms or notes, equipment cut sheets, pictures, etc.)
- Equipment cut sheets
- Rebate/incentive documentation (i.e. utility incentives)
- Draft construction schedule

New Construction

- Itemized construction budget
- If seeking 15 percent financing: signed COMCheck reports (mechanical, electrical, envelope) that demonstrate compliance with IECC 2015
- If seeking 20 percent financing: dynamic building simulations representing “As Designed” case and 2015 IECC compliance case. The energy performance delta between the two simulations should demonstrate at least 5 percent exceedance above 2015 IECC energy performance
 - For this dynamic building simulation approach: Report Model Input Table Workbook⁷
- Available supporting documentation used to inform the dynamic building simulation modeling effort (building drawings, equipment cut sheets, etc.)

⁶ Provided by the program, to be filled out by the contractor/energy modeler

⁷ Provided by the program, to be filled out by the contractor/energy modeler

NEW CONSTRUCTION

Colorado C-PACE provides a compelling financing opportunity for new construction projects. The unique structure can unlock capital that enables a developer to include energy efficient equipment and other measures that are often “value engineered” out of a project, leading to better building performance. Even better, C-PACE may reduce the developer’s equity contribution or need for other types of high-cost financing, thereby reducing the weighted average cost of capital.

Unlike retrofits to existing properties where the savings from energy and water efficiency improvements can be demonstrated by referencing pre-improvement baseline consumption data, new construction has no baseline against which to measure improvements.⁸ Thus, the District has designed a separate process for new construction projects.

The applicant is required to provide total project construction cost by trade component so that the program administrator can evaluate the total eligible construction cost (TECC). The TECC includes all hard and soft costs associated with construction, and excludes the cost to purchase the land itself as well as any components that are not permanently attached⁹ to the building.

The maximum C-PACE finance amount will depend upon whether IECC¹⁰ 2015 is met or exceeded. A new construction project will be eligible for C-PACE financing at 15 percent of the TECC if the project complies with the requirements of IECC 2015. If the proposed building’s energy performance is designed to exceed IECC 2015 by five percent or more then the project will be eligible for C-PACE financing at 20 percent of the TECC (an additional 5 percent). The maximum C-PACE finance amount will not exceed 20 percent of the TECC.

Once an application is received, the program administrator will coordinate with the project developer, property owner, utility, engineering/construction firm and/or energy modeling firm, depending on how a particular project will proceed. The purpose of this coordination will be to understand the project, review C-PACE requirements (particularly with respect to dynamic building energy simulation modeling), and ensure consistency with potential utility incentives or design assistance programs.

If the design will include a renewable energy system such as solar PV, the renewable energy system’s impact on building energy performance is excluded from the energy savings analysis. Such systems will be evaluated separately by the program administrator and the total installed cost of the renewable energy system added to the eligible new construction C-PACE financing amount.

The maximum C-PACE finance amount eligible for a particular project will be determined by the program administrator.

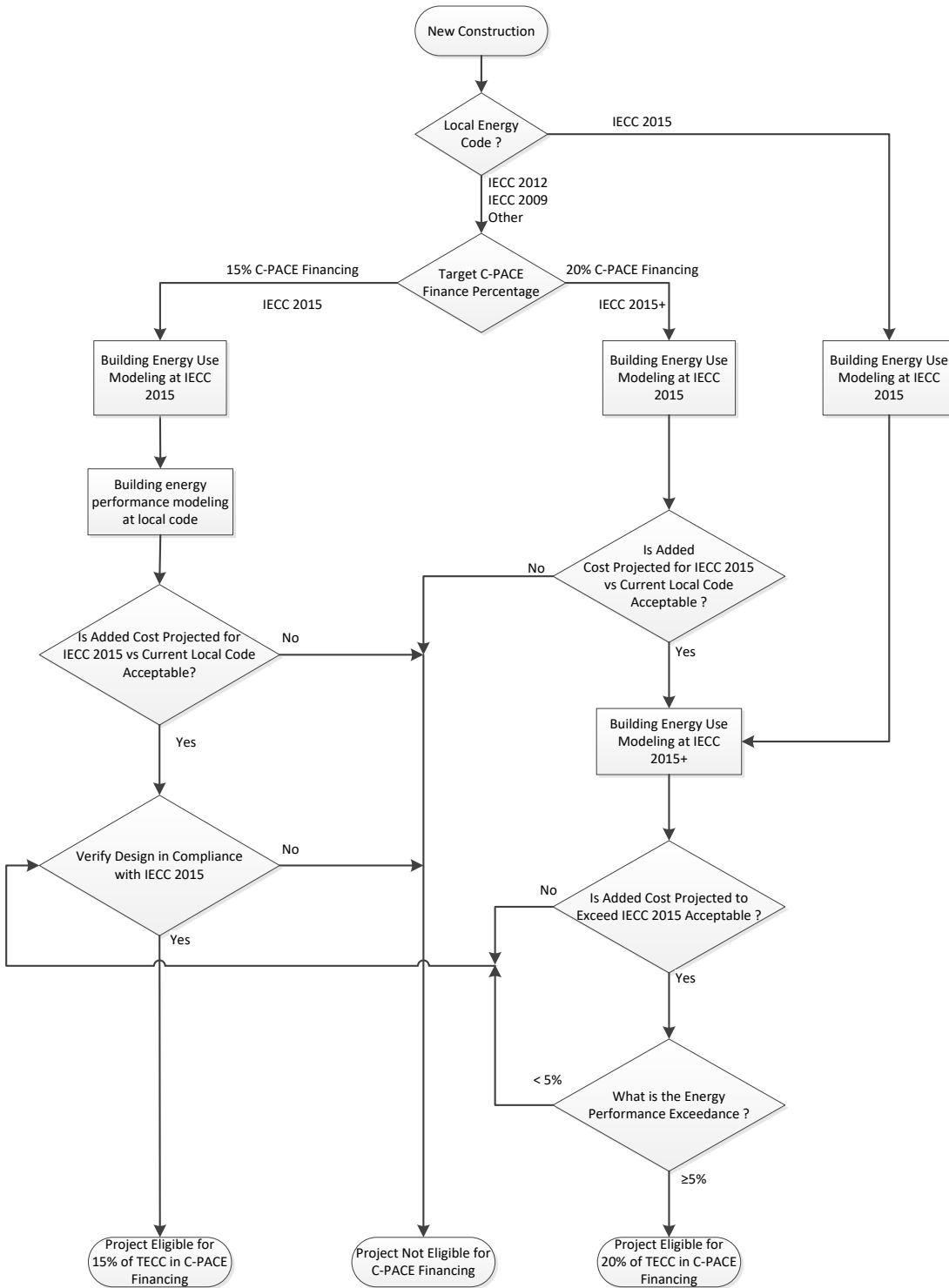
In view of the complexity of new construction projects and considerations around incorporation of the C-PACE financing into a project’s capital stack, project developers are strongly encouraged to engage with the program administrator early in the project development process.

⁸ This is also the case where an abandoned building is being rehabilitated or a building is being fundamentally repurposed. Consequently, such rehabilitation or repurposing can be treated the same as new construction for the purposes of C-PACE.

⁹ Items such as shading devices, furniture, fire extinguishers, etc.

¹⁰ International Energy Conservation Code.

NEW CONSTRUCTION METHODOLOGY



PAYMENT PROCESS

HOW FUNDS ARE COLLECTED

Repayment of C-PACE assessment financing is made via payments on the property tax bill. While property owners will find that the C-PACE assessment appears as a separate line item on the bill, the payment is made with property taxes and any other special assessments. Property owners whose mortgage lenders require taxes to be escrowed should expect that these lenders will increase the escrow amount to include C-PACE payments.

HOW FUNDS ARE DISBURSED TO INVESTORS

Each county that participates in C-PACE has agreed to collect the C-PACE assessments from participating property owners via the property tax collection system and to remit those funds to the District (or its designated fiduciary) for distribution to capital providers. The District or its designated fiduciary will remit funds to the respective investor within ten business days of receiving them from the county.

DEFAULT AND EXERCISE OF REMEDIES

Property owners should be aware that any failure to make a payment on a C-PACE assessment will give rise to the same consequences as a failure to pay property taxes, which could include penalty interest and fees as well as a tax sale to recover the amounts owed. The C-PACE Act also grants the District the ability to file a civil action for foreclosure of the subject property (see C.R.S. 32-30-107(4)(e)).

FINANCING STRUCTURE

Any qualified capital provider is eligible to provide C-PACE financing to property owners for qualified projects. The District maintains a [list of qualified capital providers](#) on the program website. All capital providers must be approved by the District.

Participating property owners should become familiar with the following important features of C-PACE financing. The principal amount will be equal to all project costs that the property owner may choose to finance through the program, which may include costs associated with project implementation, such as permits, audit expenses, closing fees, and capitalized interest.

The rate of interest on the financing will be established by the capital provider. Depending on the date that a project financing closes, it may not be possible to place the special assessment on the property tax bill until the following tax roll cycle. When such delay occurs, the interest payments that the property owner would have paid in the first tax year are capitalized in the principal amount.

The C-PACE program is funded by administrative fees paid by participating property owners. This administration fee is typically included in the total amount financed. The District's program administration fee is 2.5 percent of the project finance amount (not to exceed \$50,000 per project). Interest on a project begins accruing at the point that the first progress payment is made.

FINANCING TERM

The maximum finance term is based on the weighted average effective useful life of the approved energy and water improvements as determined by the program after a review of the energy audit/feasibility study, not to exceed 25 years.

SECURITY

C-PACE project financing is secured by a special assessment and corresponding lien on the subject property. This lien is senior to all commercial liens, even if filed earlier in time, including mortgages and deeds of trust. It is equal (*pari passu*) in priority to other special assessments on the property and junior to general tax liens. If a payment is in default, the remedies available to capital providers are the same as are available to holders of other special assessments, including penalty interest and, in extreme cases, foreclosure and sale of the property at a tax lien sale.

UNDERWRITING STANDARDS

The District does not establish the underwriting requirements for C-PACE financing. Rather, each approved capital provider uses its own underwriting criteria. Nevertheless, experience has shown the following to be typical of the underwriting standards used nationwide by PACE capital providers:

- Total property-related debt (including mortgage debt, the C-PACE financing, and any other obligations secured by the property) is not to exceed 80 percent of the property's value. This

value may be established either (a) as the assessed value of the property, or (b) its appraised value, as supported by a recent appraisal. In either case, the property's value may include the enhanced value of the property resulting from the installation of the energy improvements being financed with the C-PACE assessment.

- The property owner has been current on its property tax and assessment payments with respect to the property for at least three years.
- The property owner must not have any involuntary liens, defaults, or judgments applicable to the subject property. A property owner may be able to participate if he or she can demonstrate that there is an acceptable reason for the lien, default, or judgment and provide supporting documentation.
- The property owner(s) or their affiliated companies have not been a debtor in a bankruptcy proceeding during the past seven years and the property proposed to be subject to the contractual assessment must not currently be an asset in a bankruptcy proceeding.
- The cash flow generated by the property during the past 12 months exceeds 1.25 times the sum of the amount of the annual assessment plus any interest expense associated with any mortgage debt for the past 12 months.

FINANCING COSTS AND INTEREST RATES

The applicable interest rate and fees are set by the capital provider.

MORTGAGE HOLDER CONSENT

The C-PACE Statute at C.R.S. 32-20-105(3)(i) requires that property owners receive the consent of all holders of mortgages or deeds of trust on the property prior to the imposition of the C-PACE assessment lien, which is senior in priority to all commercial mortgages on the property. [View a list](#) of financial institutions that have consented to the imposition of PACE liens nationwide.

TRANSFER OR RESALE OF THE SUBJECT PROPERTY

If the property is sold prior to the end of the agreed-upon special assessment period, the new owner will assume the C-PACE assessment obligation, unless otherwise negotiated. Ownership of any authorized improvements on the subject property will transfer to the new owner at the close of the real estate sale. Authorized improvements financed through the program may not be removed from the property until the C-PACE assessment has been fully repaid. In connection with any sale, program participants agree to make all legally required disclosures about the existence of the special C-PACE assessment lien on the property.

OTHER ASSESSMENT TERMS AND CONDITIONS

It is expected that qualified capital providers will require owners to sign off on yield maintenance, or prepayment fees, to protect their investment. Any such arrangement is between the property owner and the project investor.

PROGRAM ADMINISTRATION

[Sustainable Real Estate Solutions](#) (SRS) administers the Colorado C-PACE program on behalf of the New Energy Improvement District (NEID).

PROGRAM REQUIREMENTS

This section outlines the guidelines that govern all participants in the Colorado C-PACE program. Participants agree to adhere to the terms and conditions of the program.

Service Area	Participating counties in Colorado.
Eligible Property	Commercial, industrial, agricultural, nonprofit, and multifamily properties with five or more units.
Size Thresholds	There are no upper limits on the amount that can be financed.
Eligible Applicant	An owner of eligible property as defined in the C-PACE Statute.
Security	The financing is evidenced by an Assessment and Financing Agreement and is secured by a special assessment that is recorded in the county land records against the eligible property. The special assessment lien is senior to all commercial mortgages and deeds of trust and is equal (<i>pari passu</i>) in priority to other special assessments on the property, and junior to general property tax liens. Because of this, the Colorado C-PACE program must obtain the written consent of all holders of mortgages or deeds of trust on the property prior to securing C-PACE financing.
Credit Standards	The property owner must be current on all real property taxes; have no outstanding involuntary liens, collections, or charge-offs; be current on existing mortgages; and may not be in, or have filed for, bankruptcy in the past three years.
Eligible Uses	Eligible uses include the cost of energy and water conservation improvements or renewable energy improvements to eligible property, payment of the cost of energy audits or engineering studies or other related soft costs, the cost of non-energy improvements that are directly related to the installation of energy improvements (for example, the cost of a roof replacement to support a solar PV installation), commissioning, closing fees, and other program costs.
Lien-to-value	There is no program maximum for lien-to-value based on the after-completed value of the property, although capital providers typically require a lien-to-value maximum between 20 and 35 percent.

- Appraisal Requirement** The property value for lien-to-value (LiTV) purposes will typically first be determined by reviewing the real market value as determined by the county assessor. This value will be used for underwriting purposes. If the LiTV limits exceed a selected capital provider's LiTV requirements using the assessor's real market value, a current appraisal may be required. This requirement will be influenced by the needs of existing mortgage holders that must consent to the filing of the special assessment lien. New construction typically requires a current appraisal.
- Maximum Term** The maximum finance term is based on the weighted average effective useful life of the approved energy and water improvements as determined by the program after a review of the energy audit/feasibility study, not to exceed 25 years.
- Amortization** The C-PACE financing is fully amortized over its term.
- Payment and Servicing** The ongoing billing/collections process is the county's responsibility.
- Evidence of Ownership** A title report is required prior to closing to show evidence of ownership and all encumbrances recorded against the property.
- Consent** Where there is an existing mortgage or deed of trust recorded against the property, the mortgage holder must be given written notification that the owner intends to enter into a C-PACE financing agreement, which cannot proceed without the written consent of the mortgage holder. The agreement confirms that the proposed C-PACE financing does not constitute an event of default under the terms of existing agreements between the property owner and mortgage holder.

PARTICIPATION IN REBATE/INCENTIVE PROGRAMS

The Colorado C-PACE program encourages property owners to pursue all available federal investment tax credits, utility rebates, and incentive programs. Rebates and incentive programs provide participants with cash payments or tax credits for implementing energy and water improvements, thereby either increasing annual cash flows or reducing overall project costs and the total amount the owner will need to finance. Rebate and incentive programs can also act as a third-party check on the validity of the proposed energy improvements and the projected energy savings, thereby increasing investor confidence in the projected energy and cost savings.

PROGRAM PARTICIPATION FEE

The Colorado C-PACE program is self-financed through fees charged to participating property owners. These fees cover the recurring costs to administer the program. A one-time program administration fee, equal to 2.5 percent of the project finance amount, not to exceed \$50,000 per project, is applied to each financed project. This fee is typically included in the total financed amount and is only due in the case of successful project financing. In addition, capital providers will be responsible for all recording fees

related to the lien package (mortgage holder consent, AFA and Final Assessing Resolution), and recording fees related to any subsequent assignment of the AFA. The NEID, or its designated fiduciary, will provide an invoice to the capital provider upon project closing for the success fee and relevant recording fees.

If revisions are requested to the program form documents, capital providers will be responsible to reimburse the District for the District's general counsel or special counsel legal fees. Generally, these fees will not exceed \$5,000 per closing.

C-PACE ASSESSMENT RELEASE

Once a C-PACE assessment is certified on the tax roll, the C-PACE assessment must be paid by the property owner to the County in which the property is located in accordance with the agreed-upon amortization schedule for that tax year, as set forth in the Assessment & Financing Agreement (AFA) and Final Assessing Resolution (FAR). If the property owner intends to prepay or otherwise pay in full all other amounts due under the AFA and FAR ("Assessment Lien"), the program administrator must be notified by the owner and/or capital provider as soon as possible in order that the owner, capital provider and the District may review and agree upon the proper payoff amounts and confirm the process to finalize, approve and record the proper Release of Assessment Lien documentation ("Release"). The Release must be in the form available at the following link, as may be amended from time to time: <https://copace.com/resources/>.

Since the C-PACE assessment will still need to be paid by the property owner for the year in which the Release is to be requested and processed, the payoff statement should reflect the payment of the C-PACE assessment to the County for the year in which the Release is to be processed, and the property owner will remain responsible to pay the C-PACE assessment amount for the current year at the same time as property taxes are due as required by the AFA.

Once the property owner has paid all amounts due to the capital provider, the capital provider shall execute the Release and provide a copy of the Release to the District for execution. Upon execution of the Release by the District, the District will cause a copy of the fully executed Release to be recorded in the real property records of the County in which the property subject to the Assessment Lien is located. A one-time fee to cover administrative and legal expenses of the District associated with processing and recording the Release will apply and must be paid in full and received by the District prior to recording the Release.

BUILDING OWNER PARTICIPATION AND PROCESS

Colorado C-PACE is an innovative financing program that provides owners of commercial, industrial, nonprofit, and multifamily (with five or more units) properties with financing for the installation of energy efficiency, water conservation and renewable energy improvements.

BENEFITS

Building owners often lack the capital they need to pay for energy improvements, which means many projects never get off the ground. By providing up to 100 percent, long-term project financing, C-PACE helps building owners lower their operating costs and improve the value of their asset. C-PACE:

- Requires no upfront, out-of-pocket costs
- Is long-term (terms can extend up to 25 years)
- Requires no personal guarantees
- Lowers energy costs
- May generate positive cash flow
- Can transfer to the next owner if the building is sold.

ELIGIBILITY

Anyone who owns an eligible commercial, industrial, agricultural, or multifamily building located in a [participating county](#) is eligible for C-PACE financing. Owners of nonprofits, e.g., houses of worship and private schools and universities, are also eligible. Buildings owned by state and local government agencies (public buildings) are eligible as well, although applications from such entities will be reviewed by attorneys for both the NEID and the local agency or government entity to ensure that the building ownership and C-PACE financing do not trigger Colorado's Taxpayer Bill of Rights (TABOR).

PROCESS

To get started, building owners can work with the [registered contractor](#) or [C-PACE project developer](#) of their choice to discuss the project and collaborate on the Project Pre-qualification Submission form. Once the project is approved, building owners can use the [qualified capital provider](#) of their choice, or ask the program administrator to solicit terms from qualified capital providers so the building owner can choose the best option for them.

Note that the principal amount will be equal to all project costs that the property owner may choose to finance through the program, which may include costs associated with project implementation such as permits, audit expenses, closing fees, and capitalized interest.

The rate of interest on the financing will be established by the project's selected capital provider. Depending on the date that a project financing is closed, it may not be possible to place the special assessment on the property tax bill until the following tax roll cycle. Where such delay occurs, the

interest payments that the property owner would have paid in the first tax year are capitalized in the principal amount.

Note also that the C-PACE program is funded by an administrative fee paid by participating property owners. This administration fee is typically included in the total amount financed. The District's current program administration fee is 2.5 percent of the project finance amount (not to exceed \$50,000 per project). Interest on a project begins accruing at the point that the first progress payment is made.

To support their underwriting efforts, capital providers may request the following:

- A copy of the most recent mortgage statement and appraisal
- The current year (year-to-date) income/expense statement for the property
- The previous two years' income/operating statements, statements of cash flows, and balance sheets for the property
- The previous two years' audited (if available) income/operating statements, statements of cash flows, and balance sheets (audited or reviewed, if available) for the tenants' business
- A table listing all tenants, their monthly (or annual) lease payments, the percentage of the building they occupy, and the end date of their existing leases
- The previous year's federal tax returns if the property is planning to claim the value of the federal Investment Tax Credit or MACRS depreciation

See page 14 for a detailed description of the C-PACE process from start to finish.

CONTRACTOR PARTICIPATION AND PROCESS

The Colorado C-PACE program relies on contractors to originate and develop energy efficiency, renewable energy, and water conservation projects. The program generally refers to firms developing C-PACE projects as contractors, including lighting contractors, solar contractors, envelope contractors, mechanical firms, design firms, service contractors, and energy consulting firms. The program encourages contractors of different disciplines to collaborate and develop comprehensive projects that best serve the building owner's needs.

BENEFITS

Many building owners lack the capital they need to fund building improvements, which means many worthwhile energy efficiency and renewable energy projects never get off the ground. Contractors represent an integral link in the chain that makes C-PACE a successful program. C-PACE provides contractors with a compelling financing option they can offer building owners, which means contractors can close more deals and grow their business in the process.

ELIGIBILITY

Any firm that holds applicable state and local licenses is eligible to become a Colorado C-PACE-registered contractor. Note that by establishing contractor registration criteria, Colorado C-PACE is not recommending or endorsing any specific contractor or warranting the reliability of any such installer.

HOW TO REGISTER

Contractor applications are accepted on a rolling basis, and registering is a simple, two-step process. A contractor must attend a half-day, no cost workshop to learn about the benefits of the C-PACE program, how it works, and how to access the available (free) support services. (See the [workshop schedule](#).) Additionally, the contractor must fill out and submit a short [application](#), which the program administrator will use to verify that the contractor meets the program's requirements.

Once the program administrator confirms that a contractor is eligible to participate in the program, the firm is notified and listed in the Colorado C-PACE contractor directory. The District reserves the right to disqualify contractors if they are found to be in violation of any of the standards set forth in this Program Guide or for any other reason the District board finds to be in violation of good practices of the program.

Contractors who are not yet registered but who have projects they wish to propose for C-PACE financing should contact the program administrator, submit the project for pre-screening, and register for the next available contractor training event. Simultaneous registration and project pre-screening ensure that there are no delays to the project.

PROCESS

Once contractors are registered, they will work with the program administrator to:

- Select and prequalify buildings
- Perform preliminary project scoping
- Prepare proposals and review them with the building owner
- Develop and optimize project scenarios
- Conduct project quality assurance reviews
- Install energy improvements.

Note that contractors must obtain all necessary local and state building permits that are required by law to complete the proposed scope of work.

FREE TECHNICAL SUPPORT

Closing a C-PACE deal typically requires the use of sophisticated technical and financial projections that require the participation of multiple stakeholders. For this reason, Colorado C-PACE-registered contractors can receive support at no cost from the program administrator. Services include:

- Identifying projects that are suitable for C-PACE financing
- Prioritizing projects
- Selecting packages of measures that best serve the building owner's needs
- Preparing financial calculations
- Attending meetings with building owners to explain the program benefits as well as financial and savings projections
- Performing quality assurance reviews to ensure savings projections are accurate, conservative and well documented
- Performing commissioning oversight at the conclusion of a project to ensure that measures have been installed properly and have the potential to perform over time.

[View a directory](#) of C-PACE-registered contractors.

CAPITAL PROVIDER PARTICIPATION AND PROCESS

Colorado C-PACE is a voluntary financing program that enables building owners and real estate developers to modernize their building by installing eligible energy efficiency, renewable energy and water conservation measures. Funding is provided by qualified private capital providers (QCPs), also referred to as lenders, in an open-market model. This approach offers multiple financing options to building owners, enabling the program to achieve its mission of making financing for these types of projects accessible and affordable.

BENEFITS

C-PACE is a secure investment. The investment is secured by a special purpose assessment lien which is senior to all commercial mortgages and deeds of trust and is equal (*pari passu*) in priority to other special assessments on the property, and junior to general property tax liens. As a result, QCPs who work with the C-PACE program may receive attractive project finance opportunities. They are also listed in the [Capital Provider Directory](#) for marketing purposes.

ELIGIBILITY

To participate in the C-PACE program, a capital provider must become qualified by submitting a [Capital Provider Application and Participation Agreement](#). To maintain its status, the QCP must promptly disclose to the District any material changes to the initial application; the C-PACE program reserves the right to rescind the QCP's status if the QCP is found to be in violation of any of the standards set forth in this Program Guide or for any other reason that the District finds to be in violation of good practices of the program.

To expedite project closings, the program recommends that capital providers review the Assessment and Financing Agreement template that is used for all projects financed through the program. This document can be [downloaded](#) from the Resources section of the program website. The document represents input from numerous capital providers during the program's initial project closings.

For projects where the property owner has not pre-selected a capital provider, QCPs are provided an opportunity to submit a term sheet to finance a pre-approved project. Should a building owner pre-select a capital provider for a specific project, the capital provider must complete a Capital Provider Application and Participation Agreement if they are not already registered with the program.

HOW TO QUALIFY

To qualify as a capital provider for the Colorado C-PACE program, simply submit the Capital Provider Application and Participation Agreement found [here](#). The approval process can take up to ten business days and once approved for participation in the program, the qualified capital provider will be notified by the program administration.

PROCESS

Qualified capital providers can participate in the Colorado C-PACE program in two ways. They can:

1. Work with building owners to underwrite projects and help them prepare an application for financing approval. (In such cases, the program will not solicit financing terms from other QCPs).
2. Collaborate with the program administrator to evaluate funding opportunities. (Building owners may apply for C-PACE without a pre-selected capital provider. In this case, the program administrator will review pre-approved projects with QCPs to determine their funding interest).

The District does not establish underwriting requirements for C-PACE financing. Rather, each capital provider uses its own underwriting criteria. Nevertheless, experience has shown the following to be typical of the underwriting standards used by PACE capital providers:

- Total property-related debt (including mortgage debt, the C-PACE financing and any other obligations secured by the property) is not to exceed 80 percent of the property's value. This value may be established either (a) as the assessed value of the property, or (b) its appraised value, as supported by a recent appraisal. In either case, the property's value may include the enhanced value of the property resulting from the installation of the improvements being financed through the C-PACE assessment.
- The property owner has been current on its property tax and assessment payments with respect to the property for at least three years.
- The property owner must not have any involuntary liens, defaults, or judgments applicable to the subject property. A property owner may be able to participate if it can demonstrate that there is an acceptable reason for the lien, default, or judgment, and provide supporting documentation.
- The property owner(s) or their affiliated companies have not been a debtor in a bankruptcy proceeding during the past seven years and the property proposed to be subject to the contractual assessment must not currently be an asset in a bankruptcy proceeding.

Each county that participates in C-PACE will collect the C-PACE assessments from participating property owners via the property tax collection system and remit those funds to the District (or its designated fiduciary) for distribution to the capital provider.

MORTGAGE HOLDER PARTICIPATION AND PROCESS

Colorado C-PACE is an innovative, voluntary financing program that enables building owners—your customers—to install energy efficiency, renewable energy, and water conservation improvements to their building with economically attractive, long-term financing.

BENEFITS

Building upgrades designed to conform with Colorado C-PACE standards generate cost savings that may, over the finance term, exceed the total finance cost. Owners who participate in C-PACE typically improve their net operating income and asset value, and generate a positive return on their investment. As a result of the building owner's increased cash flow, the mortgage holder's loan is more secure, and the property is typically more competitive. Across the country, C-PACE has been embraced by more than [170 national, regional, and local mortgage holders](#).

PARTICIPATION

Colorado C-PACE provides up to 100 percent financing to owners of new and existing buildings who are looking to modernize and improve the value of their commercial, industrial, agricultural, nonprofit, or multifamily building. The financing term, which is based on the effective useful life of the improvements—up to 25 years—is secured by a voluntary assessment (similar to a sewer district assessment) that is recorded against the property. The assessment does not accelerate. In the event of a default, only the amount of the assessment in arrears is due.

The special assessment lien is senior to all commercial mortgages and deeds of trust and is equal (*pari passu*) in priority to other special assessments on the property, and junior to general property tax liens. Because of this, the Colorado C-PACE program requires property owners to obtain the written consent of all holders of mortgages or deeds of trust on the property prior to securing C-PACE financing.

PROCESS

A borrower who wishes to pursue C-PACE financing will, in collaboration with the program administrator, seek a meeting with the mortgage holder. During the meeting, the owner and the program administrator will describe the program's requirements and answer any questions. In addition, they will discuss the independent quality assurance review, which is used to validate the projected energy cost savings that are designed to finance the project over time.

Assuming all parties agree that a project is worth pursuing, the project will move to development and underwriting. As part of the underwriting process, the program administrator will prepare a PACEworx™ Report for the mortgage holder's review. This report will provide a summary of the project's key assumptions, financial metrics, and projected cash flows to facilitate the consent request.

Mortgage holders that wish to fund C-PACE projects may apply to become qualified capital providers under the program.

LOCAL GOVERNMENT ELIGIBILITY AND PARTICIPATION

Colorado C-PACE is an innovative, voluntary financing program that gives building owners and property developers an economically attractive way to fund energy efficiency, renewable energy, and water conservation improvements. Local governments are the key to the program's success, because each county must opt into the District before building owners and property developers can participate.

BENEFITS

C-PACE benefits counties by helping property owners reduce energy costs, increase renewable energy deployment, improve air quality, and reduce greenhouse gas emissions. C-PACE projects also improve local building stock and create local jobs, both of which benefit the economy.

PARTICIPATION

For a county to become eligible to participate in Colorado C-PACE, the Board of County Commissioners must pass a resolution authorizing the District to offer the program within the county. Once the county assessor ensures that the line item can be placed on the property tax assessment, the county and NEID execute a participation agreement, after which the county becomes part of the C-PACE program. Note that cities and towns cannot opt into Colorado C-PACE. Rather, they are encouraged to work with their county government and community stakeholders to discuss the benefits of the program.

PROCESS

Once the county has opted into Colorado C-PACE, its ongoing role is threefold. It will:

1. Record assessments in the county land records and notify the District and capital providers of recordation. (The District is responsible for calculating and reporting assessment amounts to the County on an annual basis);
2. Issue property tax bills, including C-PACE assessments, in the ordinary course of business, and collect special assessment payments and forward such payments to the NEID;
3. Optionally, act as a conduit between the District outreach, education, and marketing team, and local county departments.

Note that [CRS 30-1-102\(1\)](#) empowers county treasurers to collect a fee equal to 1 percent of the amount of each special assessment payment. This statutory requirement also applies to C-PACE assessments; thus property owners should expect to see the 1 percent fee included in the amounts to be paid on their C-PACE assessment on each property tax bill. The program is designed to leverage the existing county tax collection process. However, variations in tax collection practices from county to county may require customization of the process.

GENERAL TERMS AND PROVISIONS; DISCLAIMERS; OTHER REQUIREMENTS

TAXES

Property owners are solely responsible for any local, state, or federal tax consequences of their participation in the Colorado C-PACE program.

CHANGES IN THE PROGRAM TERMS; SEVERABILITY

The District reserves the right to change this Program Guide and the terms and provisions set forth within at any time without notice; however, no such change will affect the obligation to pay special assessments for approved C-PACE financings. Participation in the program will be subject to the Program Guide in effect at the time of closing. If any provision of this Program Guide is determined to be unlawful, void, or for any reason unenforceable, removal or invalidity of that provision shall be deemed severable from this Program Guide and shall not affect the validity and enforceability of any remaining provisions.

It is the property owner's responsibility to confirm that the property owner has the most recent versions of program documents. The property owner may satisfy this responsibility by checking the documents on the District website or by contacting the program administrator.

DISCLOSURE OF PROPERTY OWNER INFORMATION

Property owners must agree to allow the District to disclose personal/corporate information submitted as part of the program to the program administrator. They also must agree that the District and the program administrator may disclose the property owner's information to third parties when such disclosure is essential to the conduct of the District's business. This disclosure also may be necessary to provide services to the property owner, including but not limited to where such disclosure is necessary to (i) comply with the law, legal process or regulators, and (ii) enable the District or the program administrator's employees or consultants to provide services to the property owner or to otherwise perform their duties.

The program treats property owner privacy and security seriously and will not provide property owner information to third parties for telemarketing, email, or direct mail solicitation.

FRAUD

Giving materially false, misleading, or inaccurate information or statements to the District, the program administrator or any of their employees and agents (or failing to provide the District with material information) in connection with a Pre-Qualification Submission Form, Contractor Registration Form, or Capital Provider Application and Participation Agreement is punishable by law. Material representations

include, but are not limited to, representations concerning the project costs and the ownership structure and financial information relating to the property and the applicant.

CHANGES IN STATE AND FEDERAL LAW

The District's ability to operate the program is subject to a variety of state and federal laws. If those laws or the judicial interpretation thereof were to change after the filing of the project has been submitted for funding, the program's ability to issue the contemplated C-PACE funding may be impaired.

UTILITY RELEASE WAIVER(S)

Xcel Energy's Consent to Disclose Utility Customer Data can be found [here](#). If your property is serviced by a utility provider other than Xcel Energy you will need to contact that entity to obtain their utility data release waiver. The C-PACE program administrator can assist with the process if necessary.

RELEASES AND INDEMNIFICATION

By submitting a Pre-Qualification Submission form, the property owner acknowledges that Colorado C-PACE was formed solely to help property owners in Colorado finance eligible improvements. Colorado C-PACE is a financing program only and is not responsible for the installed C-PACE-eligible improvements or their performance. Property owners are responsible for payment of the special assessment regardless of whether the products are properly installed or operate as expected.

EXCEPTIONS TO THESE TERMS AND PROVISIONS

The District may make exceptions to the terms and provisions detailed in this Program Guide where there is a finding that such exception furthers the goals and objectives of C-PACE and the District. Consideration of an exception request from a property owner may involve payment of a fee.

APPENDIX

KEY DEFINITIONS

Agency Sponsor	Colorado New Energy Improvement District.
Assessment Payments	The periodic repayments of the loan amount by the property owner, which appears as a separate line item on the property tax bill.
Capital Provider	The entity that will finance the eligible improvements. Also referred to as a lender. In the Colorado C-PACE program, lenders must be qualified by the program administrator.
C-PACE Project	Eligible energy efficiency, renewable energy and/or water conservation improvements made to eligible property, whether financed entirely by C-PACE or through incentives or other sources in combination with C-PACE financing.
C-PACE Project Developer	A C-PACE-registered contractor that provides turnkey C-PACE-related services for more complex and comprehensive C-PACE projects.
Eligible Property	Commercial, industrial, or agricultural real estate located within participating counties , whether existing, under construction, or to be constructed, except for residential dwellings with fewer than five dwelling units.
Eligible Improvements	Any improvement, construction, equipping, installation, or modification of or to an eligible property, if designed to facilitate renewable energy production and distribution, increase energy efficiency, or increase water use efficiency.
Lien	A voluntary assessment recorded in the land records of the county against an eligible property to secure the repayment of the C-PACE financing.
Program Administrator	The entity that supports the program sponsor in administering the program.
Property Owner	The person or entity that holds title to the eligible property, together with its successors and permitted assigns, as further defined in the Assessment & Financing Agreement. Eligible property owners may include individuals, business entities, and nonprofit companies. Government-owned properties are also eligible, though these projects are reviewed to ensure that the financing does not trigger TABOR.

Registered Contractor

The licensed firm or individual registered with the Colorado C-PACE program that develops the project scope of work, proposal, and analytics, and oversees/coordinates the work required for the installation/construction of the energy improvements.

Savings-to-investment Ratio

The total estimated (or projected) energy cost savings, as calculated in good faith and reviewed by the program administrator, over the effective useful life of the eligible improvements, divided by the finance amount and interest payments over the financing term.

APPLICATION FORMS AND OTHER DOCUMENTS

All applicable Colorado C-PACE documents and forms can be found in the [Resources](#) section of the Colorado C-PACE [website](#).