



C-PACER Financing & Implementation in Washington

C-PACER / [HB 2405](#) passed in Washington State during the 2020 Legislative Session, authorizing counties to establish C-PACER financing programs. The bill is effective June 11, 2020. In response to the expected revenue deficit due to COVID-19, the Washington State Department of Commerce does not have funding this biennium to support development of a C-PACER program guidebook, but the good news is that the work can continue at the county level. Members of the Shift Zero C-PACER task force, in coordination with national C-PACE experts, are currently developing model guidelines for counties to set up C-PACER financing programs. Our intent is to be able to offer vetted guidelines, forms, and documents that a county might use as starting points for drafting their own county-specific program documents, including the following:

- County Ordinance to establish the program
- Assessment agreement between the county, property owner and lender
- Existing lienholders consent form
- Qualifying improvement certification form (to be completed by an approved reviewing professional --i.e. registered Engineer, etc.)
- C-PACER lien form
- Assignment of C-PACER lien form
- Final certification of completed improvements form (to be completed by a qualified third party)

C-PACER IMPLEMENTATION FAQ

1. How does a county implement a C-PACER program?

A county must first pass legislation, typically in the form of an ordinance, that sets up a C-PACER program. To help counties, model guidelines, including possible procedures and forms, are currently being drafted by Shift Zero volunteers.

2. When will programs be up and running?

The new enabling Washington legislation becomes effective on June 11th, 2020. Counties could set up programs whenever they are ready to do so after that date.

3. How can someone advocate for their county to establish a program?

Reach out to your county executive's office to see if this is something they are pursuing. Also, contact your county council member; typically, county councils must pass county legislation that establishes a C-PACER program. Having the model program guidelines that C-PACER volunteers are currently drafting may make it easier for counties to pursue a C-PACER program.

4. How is C-PACER program administration handled?

A C-PACER lender in Washington would handle nearly all the work associated with collecting payments, so a county has little administrative role. The program administrator would be responsible for overseeing the C-PACER lien filing process and the associated paperwork filing requirements. A county may hire an outside third party as the administrator, or do this oversight themselves.

5. **I'm a lender - what should I do now?**

Contact Shift Zero (pacer@shiftzero.org) to let us know if you are interested in providing C-PACER loans, since we are keeping a list of potential loan providers to share with inquiring property owners. You could also let a County know of your financing interest, and request that they inform you if/when they launch a local C-PACER program.

GENERAL C-PACER FAQ

1. **What is PACE?**

Property Assessed Clean Energy (PACE) is a financing mechanism that enables low-cost, long-term funding for qualified improvements, including energy efficiency, renewable energy, and water conservation projects. **C-PACE** is specific to commercial, large multifamily, industrial, and nonprofit properties. More than thirty states have C-PACE programs. Only a very few states have residential pace (R-PACE) programs that cover single family and small multi family homes. This is because R-PACE programs require more administrative safeguards.

2. **Why is there an "R" added in C-PACER?**

The Washington C-PACER bill ([HB 2405](#)) includes *resiliency* measures, including seismic improvements and fire/flood protection in the definition of a "qualified improvement".

3. **Who finances C-PACER loans?**

In this program model, no public funds would be used to finance loans. Any financial institution could finance these loans, from local credit unions to nationwide C-PACE-focused institutions.

4. **How is the C-PACER lien collected?**

The C-PACER legislation allows counties to show private lender C-PACER loan obligations on regular property tax billings, but the law does not specifically require that this be displayed on the property tax billings. The Washington law requires that actual loan payments and debt collection are to be handled by the C-PACER lender, not the county government. Counties that choose to establish a local C-PACER financing program will charge the C-PACER lender an administrative handling fee at the time that the C-PACER lien is filed; consequently, there is no use of county funds.

5. **Is a county required to develop a C-PACER program?**

No. The C-PACER legislation enables, but does not require, a county to establish a C-PACER financing program.

6. **What happens to the C-PACER lien in the event of a building foreclosure?**

The C-PACER lien stays with the building, rather than the owner, and the C-PACER lien would not extinguish in the rare event of a foreclosure. This particular feature is important for the structure of a C-PACER program, because it is what allows for the longer term financing. Since C-PACE programs began in 2008, there have been *no* foreclosed properties of the 2,000+ buildings that have participated in a C-PACE deal.

7. **What is the role of existing mortgage holders in C-PACER program?**

The C-PACER lien would move into first (superior) position ahead of any other lien on the property, but only after consent is given by all other mortgage holders.

8. Are C-PACER programs risky for consumers?

No, these are very secure transactions. Of the 2,000+ buildings and \$1 billion+ of investment in C-PACE programs nationwide, there have been no foreclosures. There have been some early well-publicized incidents of consumer fraud with residential PACE (R-PACE) programs in the few states that have such programs, but C-PACE programs are very different. California and other states which have ongoing R-PACE programs, have been amending them to require tighter administrative oversight with greater consumer protections. The much more widespread C-PACE programs have not experienced the sort of fraud publicity associated with R-PACE programs.

For added protection, the new Washington law requires that for any improvement to be qualified for a C-PACER lien, it must be reviewed by a licensed or certified professional (as defined in the legislation). Finally, the consent required by other mortgage holders adds yet another screen to ensure that the transaction is prudent.

9. What public problem is C-PACER trying to address?

On average, buildings could be improved to save half of the energy that they use. However, because most building owners are uncertain about how long they will own a building, they often choose to make only efficiency improvements that produce a quick payback – often in less than 4 years. Such quick payback improvements often only save ten to fifteen percent on energy consumption. This kind of inaction is also true for resilience measures such as seismic and fire protection improvements, which may not have any immediate economic payback but do improve the health and safety of building occupants, reduce insurance premiums, and increase a building's life, thereby raising the property value.

10. Has this been done before?

Yes, 37 other states and territories have passed similar C-PACE enabling legislation. Twenty-one of these have currently active local programs, and local programs are being developed in five others.

11. What benefits does C-PACER provide?

For building owners: With C-PACER financing, there is little cash outlay and the debt lien is filed against the property, not the owner. That debt obligation stays with the property whenever ownership transfers. The debt doesn't appear on the owner's balance sheet, and it does not encumber the owners' credit capacity. Hence, owners find these kinds of loans attractive for long-term efficiency and resilience improvements.

For tenants: Building tenants are the ones typically paying the utility bills (either directly or through rent), occupying uncomfortable spaces, and facing any health and safety risks. Giving the building owners an easier way to pay for these kinds of improvements is a benefit to tenants.

For the public: C-PACER financing programs are a type of public-private partnership that make it attractive for building owners to pursue deep efficiency and resilience improvements that are in the public interest. Highly energy and water efficient buildings reduce environmental impacts, including greenhouse gas emissions. Lower energy and water consumption also reduces the need for production and delivery infrastructure, the costs for which are ultimately borne by ratepayers.

Further, seismic, fire protection, and other safety-related resilience improvements increase public safety and ultimately mitigate publicly funded emergency response expenses.

12. Are nonprofits eligible for C-PACER?

Yes. Even though many nonprofits do not pay property tax, the tax assessor still has a property number for every parcel and that facilitates nonprofits voluntarily opting in to this program.

13. Are public buildings (e.g., schools and municipal buildings) eligible for C-PACER?

It is possible that public buildings may be eligible for C-PACER financing. However, such a mechanism is typically not attractive to them because they usually have access to cheaper capital through bond issues. In addition, C-PACE financing poses some administrative complexities that may make it challenging for those publicly owned properties.

14. Are single-family residential homes eligible for C-PACER?

No. This legislation is focused on commercial, institutional, nonprofit, and multifamily (five units and more) buildings. Fewer states have active R-PACE programs, and we want to learn from their challenges and successes before pursuing a program that would cover residential properties in Washington.