

MONTGOMERY COUNTY COMMERCIAL PACE PROGRAM GUIDELINES

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The Montgomery County C-PACE program is administered by



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About C-PACE

Commercial Property Assessed Clean Energy (C-PACE) financing is a policy that considers energy efficiency and renewable energy upgrades a public benefit, like a sewer or road extension, and can be repaid through a property tax assessment. C-PACE was enabled in Maryland through the passage of Senate Bill 186 in 2014, and adopted in Montgomery County through the passage of Montgomery County Bill 6-15 which is codified in Section 18A-33 et. Seq. of the Montgomery County Code.

C-PACE allows property owners to access financing to undertake and construct qualifying energy efficiency and renewable energy improvements for their buildings. These investments can be repaid through a surcharge on a property owner's property tax bill. Capital provided under a C-PACE program is treated similar to a sewer assessment. Like other surcharges, the C-PACE surcharge is non-accelerating. The repayment obligation transfers automatically to the next owner if the property is sold, and in the event of delinquency, only the payment in arrears is due. This arrangement spreads the cost of eligible improvements – such as energy-efficient boilers, upgraded insulation, new windows, or solar installations – over the expected life of the measure. C-PACE projects are seen as less risky than typical loans because the payment is collected through the property tax bill, a secure payment stream. In addition, low-interest capital can be raised from the private sector with no government financing required.

Property-secured surcharges are a safe and familiar tool which state and local governments levy on real estate parcels to finance projects including street paving, water and sewer systems, and street lighting. C-PACE builds on a long history of using such surcharges and serves a public purpose by reducing energy costs, stimulating the economy, reducing greenhouse gas emissions, and creating jobs.

The purpose of these program guidelines is to establish and describe the rules governing the Montgomery County C-PACE program for property owners, lenders, and contractors. In this document, you can find information about:

- statutory requirements for C-PACE financing in Montgomery County
- the process and necessary documentation for applying for C-PACE project approval¹
- the process to become a registered contractor and receive C-PACE information

About the Program Manager: PACE Financial Servicing

PACE Financial Servicing, LLC (PFS) was founded by key architects of the Connecticut PACE program and provides outsourced administration for PACE programs. PFS combines an unprecedented track record in C-PACE administration with extensive expertise in tax lien finance. PFS' mission is to create a low-cost PACE administration option for states and counties looking to drive private sector PACE investment and scale the PACE market nationally.

As the Montgomery County C-PACE Program Manager, PFS works with the County to:

- intake and approve projects,
- train local contractors and capital providers,
- establish procedures to place assessments and facilitate collections, and

¹ Please note that some documents described in the C-PACE application process, such as the Acknowledgement of C-PACE Program Project Approval, Notice to Montgomery County of C-PACE Program Surcharge, and Confirmation of Surcharge, are not available in this program guidelines document, but can be supplied by the Program Manager upon request.

- remit payment to capital providers.

Fees for the Program Manager services can be found under Administration and Servicing Fees on page 14.

About the County Designated Lender: Greenworks Lending

Greenworks Lending is Montgomery County's Designated Lender (CDL). Greenworks Lending is a rapidly growing company that provides financing for energy-saving upgrades in commercial, industrial, non-profit and multi-family buildings. Its mission is to improve the energy efficiency of our country by creating a new normal for financing energy upgrades in buildings.

The management team of Greenworks includes the leadership team who developed the Connecticut C-PACE program at the Connecticut Green Bank, which originated and financed more C-PACE transactions in 2013-14 than the combined efforts of the rest of the country. The team has proven experience in scaling the PACE and energy markets, having played the primary role on origination, underwriting, and financing of over \$75MM in C-PACE deals in two years. Greenworks also collaborates with other financial providers in Montgomery County's C-PACE Program, including a Greenworks-established partnership with Urban Ingenuity, Washington, D.C.'s PACE Program Administrator.

As the CDL, Greenworks Lending has on-demand C-PACE financing available to eligible C-PACE projects in the Montgomery County market, and will be accepting referrals from the County and the Program Manager. In addition to assisting with the application process, Greenworks Lending can provide information about available financing options including rates and terms.

PACE Financial Servicing will accept, review, and approve C-PACE projects that are financed by lenders other than the CDL.

About CivicPACE and Lender Education: Urban Ingenuity

Urban Ingenuity (UI) is the Montgomery County C-PACE program's designated partner to provide technical support and financial structuring services for "CivicPACE" projects that fund energy upgrades for non-profit owners and community-based facilities like public and affordable housing, faith based organizations and houses of worship, charter schools and higher education, health care facilities and many other non-profit civic organizations.

Urban Ingenuity is also available to help educate local lenders and capital providers seeking to originate PACE financing outside of the County Designated Lender program. UI can serve as a resource and structuring partner to local property owners who wish to work with their own financial institution to finance building improvements using PACE, and can work directly with lenders to establish their own PACE financing programs. In addition, Urban Ingenuity has extensive experience supporting complex structured finance projects involving PACE as well as PACE-secured solar power purchase agreements (PPAs).

Benefits of C-PACE

C-PACE offers multiple benefits to a broad range of stakeholders including property owners, mortgage holders, energy efficiency/renewable energy contractors, and the County.

For Property Owners: C-PACE helps minimize the up-front investment, installation, and performance risk of energy upgrades, while helping owners lower their operating costs, improve the value and market competitiveness of their asset, and comply with energy mandates. C-PACE does this in several ways:

- Many owners lack capital to do energy improvements. C-PACE provides up to 100% up-front, long-term financing to property owners for qualified energy upgrades. That means no money down. Audits, construction costs, and measurement and verification (M&V) can be wrapped into C-PACE financing.
- Owners often want to sell the building before an energy upgrade loan is repaid. The C-PACE surcharge obligation is attached to the property and transfers to the new owner. The balance of the loan does not accelerate in case of default.
- Many owners feel energy improvements do not yield an adequate return on investment. C-PACE allows for energy savings from a project to exceed the up-front investment, leading projects to be cash flow positive; financing can be structured so that energy savings more than offset the additional C-PACE assessment. Deeper energy upgrades and savings are possible because the assessment is up to 20 years.

Owners need tenants to share in the costs of energy upgrades. As a surcharge is repaid through the property tax bill, under typical leases, C-PACE payments – as well as energy savings – can be passed along to tenants.

For Mortgage Holders: The structure of the C-PACE program allows participating property owners to pay for improvements to their property out of the savings the project creates.

For Energy Contractors: The biggest barrier to converting leads to deals for energy upgrades is the lack of access to up-front financing. C-PACE solves this. By allowing a property owner to access 100% up-front financing for up to 20 years, deeper energy efficiency and clean energy improvements are now affordable. The demand for building energy improvements will grow in the Montgomery County, creating jobs and economic stability.

For Montgomery County: C-PACE is an economic development tool for counties. Energy upgrades create a more competitive environment for retaining and attracting new businesses by lowering energy costs. Upgraded buildings are more valuable, and can create more property tax revenues for the county. Energy upgrades also create jobs and reduce greenhouse gases and other pollutants.

The many advantages of C-PACE financing have been widely recognized by policymakers, leading over 30 states to enact PACE-enabling legislation. Once legislation has passed, it is up to the local jurisdictions within the state to create a structure to allow C-PACE financing to flow to interested property owners.

Statutory Requirements for C-PACE in Montgomery County

C-PACE was authorized in Maryland on May 15, 2014 when the Governor signed Senate Bill 186 into law and made effective in Montgomery County through Bill 6-15 on July 8, 2015.

The Program Manager is responsible for ensuring that all C-PACE applications meet the state and County requirements for project eligibility.

Here are four key pieces of information to note from the legislation²:

1. County Law

The Maryland C-PACE statute requires that interested counties pass legislation to enact C-PACE in their county. Montgomery County Bill 6-15³ enacted C-PACE in Montgomery County.

2. Building Eligibility

Maryland's C-PACE enabling legislation allows commercial, industrial, non-profit and qualifying multi-family properties to access C-PACE financing. Montgomery County's law specifies:

- Building must be a commercial property, which means any real property located in the County that is either not designed for or intended for human habitation, or that is used for human habitation as multi-family dwelling of more than 4 rental units.
- The property must be current and in good standing on property tax and mortgage payments.
- Project must not exceed 20% of the assessed or appraised value of the property.
- Together with the outstanding balance of the mortgage or deed of trust, the debt on the building must be no more than 90% of the full cash value of the qualified property.
- The existing mortgage lender must have provided affirmative consent to the C-PACE project.

In order to be eligible for C-PACE financing, the property owner seeking financing must meet the following requirements:

- Property must be located in Montgomery County, as demonstrated by Maryland State Department of Assessment and Taxation property tax account number.
- Applicant must be legal owner of property, as evidenced by recent title search.
- Property must be zoned and/or used for commercial use.
- The mortgage holder(s) on the property consents to the C-PACE loan, and signed Lender Consent form (EXHIBIT A) must be submitted.

3. Project Eligibility

The State law in Maryland limits C-PACE financing to energy efficiency or renewable energy projects and requires the local jurisdiction to determine what particular projects are eligible for C-PACE financing. The County law lists eligible

² Full text for the legislation can be found at: http://mgaleg.maryland.gov/2014RS/Chapters_noln/CH_472_sb0186t.pdf and https://www.montgomerycountymd.gov/COUNCIL/Resources/Files/bill/2015/20150331_6-15A.pdf

³ Full text of the legislation can be found at: https://www.montgomerycountymd.gov/COUNCIL/Resources/Files/bill/2015/20150331_6-15A.pdf

measures and can include solar, geothermal, wind energy systems, water conservation, and a broad range of energy efficiency upgrades as eligible (see Programmatic Requirements, below).

4. Mortgage Lender Consent

The Maryland state statute requires written consent from the existing mortgage lender as a condition for approval of C-PACE financing. See EXHIBIT A: Lender Consent Document.

Programmatic Requirements

Property owners may choose to work with an energy contractor with demonstrated experience to define a scope of work for saving energy in their building. This scope can range from installation of a single energy conservation measure (ECM), such as a new high efficiency boiler or a renewable energy system, to a whole building energy upgrade involving multiple, interactive ECMs. The list of eligible ECMs include but are not limited to:

- insulation in any wall, roof, floor, foundation, or heating and cooling distribution system;
- a storm window or door, multi-glazed window or door, heat-absorbing or heat-reflective glazed and coated window and door system, or additional glazing, reduction in glass area, and other window and door system modification that reduces energy consumption;
- an automated energy control system;
- heating, ventilating, or air-conditioning and distribution system modification or replacement;
- caulking, weather-stripping, and air sealing;
- replacement or modification of lighting fixture to reduce the energy use of the lighting system;
- an energy recovery system;
- a day lighting system;
- the installation or upgrade of electrical wiring or outlets to charge a motor vehicle that is fully or partially powered by electricity;
- a measure that reduces the usage of water or increases the efficiency of water usage;
- any other installation or modification of equipment, device, or other material intended to decrease energy consumption or expand the use of renewable energy source;
- any measure or system that makes use of or expands a renewable source of energy, including solar water heater, solar thermal electric, photovoltaic systems, wind, biomass, hydroelectric, geothermal electric, geothermal heat pumps, anaerobic digestion, tidal energy, wave energy, ocean thermal, fuel cells using renewable fuels, and geothermal direct-use; or
- any renewable energy system that is a fixture, product, device, or interacting group of fixtures, products, or devices on the customer's side of the electricity meter that uses at least one renewable energy source to generate electricity. A renewable energy system includes a biomass system, but does not include an incinerator or digester.

Property owners are encouraged but not required to engage a professional engineer to verify energy savings associated with their project.⁴

The following “qualifying costs” can be included within the C-PACE financing: the cost of an energy audit; feasibility studies and reports; project management, design, installation, and construction of the qualifying improvements; commissioning; energy savings or performance guarantee or insurance; closing costs of the Clean Energy Loan; permitting fees; administrative fees; and post-install evaluation and M&V.

All qualifying costs must be submitted as part of the initial project application and cannot be added to the surcharge amount after project completion and/or loan execution.

A summary of the scope of work is submitted in an application to the Program Manager in EXHIBIT B (and will soon appear on the C-PACE website. This summary includes:

- Information about the building and property owner
- Information about the contractor
- A brief description of the contemplated ECMs

In its Project Approval Checklist (EXHIBIT D), the Program Manager also asks for optional “Project Scoping Documents” if available. This supporting information could include a copy of an energy audit and/or a project feasibility study as verification for all proposed measures. This energy audit and/or feasibility study may include:

- Estimated energy savings
- Estimated project cost
- Estimated useful life

Application and Approval Process for Montgomery County C-PACE

STEP 1

Applicants for C-PACE approval must submit the following to the Program Manager for each eligible project seeking C-PACE financing. For a checklist of the required application items, please see EXHIBIT D: Project Approval Checklist:

1. Completed Application for C-PACE Financing with list of ECMs (EXHIBIT B)⁵
2. Project scoping documents which may include an energy audit, project scope, and/or feasibility study.
3. Recent (within 60 days) title search of the real property on which eligible project would be located.

⁴ The Montgomery County C-PACE program does not require a third-party technical review. If a property owner is interested in engaging a third-party reviewer to verify energy savings and project cash flows, you may contact the Program Manager for more information.

⁵ If the property owner is using a lender other than the County Designated Lender, that lender should read the Standard Offer for Origination, Funding, and Administration of C-PACE Financing Transactions, which describes additional steps the lender should complete prior to submission of a completed application to Program Manager.

4. A mortgage holder consent form (EXHIBIT A) signed by the property owner and any mortgage holder(s) of any mortgage(s) on the property on which the eligible project is located, if applicable.
5. Copies of most recent statement of mortgage balance for any current and outstanding mortgages, if applicable.
6. Copies of filed releases for any mortgages that appear on the title search but have since been released, if applicable. Any releases which cannot be obtained must be addressed through a title affidavit acceptable to Program Manager in its sole discretion.
7. A disclosure of risk form signed by the property owner summarizing the risks to the property owner for C-PACE financing in the form of EXHIBIT C, as may be modified from time to time by Program Manager pending approval from Montgomery County.
8. A signed affidavit stating: property owner agrees that prior to the date on which this C-PACE financing closes, it shall not place any additional mortgage, lien or encumbrance on the property other than any encumbrances that have been previously disclosed to us.
9. Tax history should be maintained by the property owner who shall provide records showing they are current on their tax bill, and in good standing with no recent history of delinquencies. If the property owner is unable to produce these records, then they should request property tax history information from the County's Treasury Division Offices via MC 311 (240-777-0311).
10. Ask for documentation of most recent current assessed value or appraised market value.
11. Application Fee: \$150 upfront application fee (Note: Check made payable to PACE Financial Servicing can be sent to 28 Thorndale Circle, Darien, CT 06820.) Wiring information available upon request. C-PACE project application will not be reviewed until application fee is received. Fee schedule listed under Administration and Servicing Fees on page 14.

Property owners are encouraged to work with the County Designated Lender or their own lender to put together their application. You can contact Greenworks Lending at info@greenworkslending.com, or visit <http://www.greenworkslending.com>. Lenders other than Greenworks Lending seeking education on how to offer C-PACE in Montgomery County can contact Upasana Kaku at ukaku@urbaningenuity.com.

In addition to the items required in the Project Approval Checklist, the County Designated Lender will collect the following documents from each property owners to conduct financial underwriting on the property:

- Two years of audited/reviewed financials or tax returns from the property owner
- Documented, completed or ongoing environmental site assessment, if available
- An appraisal within the last 3 years (for projects over \$750,000)
- The property owner's organizational documents, if the property owner is not an individual
- A list of the members, partners, and/or officers and directors of the property owner, if the property owner is not an individual
- Copies of driver's licenses for all individuals who will be signing the closing documents
- A signed IRS W9 form for the property owner
- Executed construction contracts between the property owner and contractors
- Proof of property and commercial general liability insurance

If applicable to the property, the County Designated Lender may also request:

- A recent statement, if the property has a mortgage
- A certified rent roll, if the property has multiple tenants
- Two years of audited or reviewed financials. Tax returns acceptable if project is under \$1M, if there is an anchor tenant or single occupant operating company
- A third year of financials, if it is a golf course, farm, civic property, hospital, school, or house of worship
- Three years of enrollment or membership history and annual giving units or tuition units per year for churches, schools, and non-profits
- Additional non-profit questionnaire
- For new developments or significant repositioning, a budget/pro forma, written business plan, organizational documents, and resumes of key personnel

The County Designated Lender will collect on its own:

- Title report (to be obtained by Greenworks Lending)
- A certificate of existence or a certificate of good, if the property owner is not an individual

STEP 2

The Program Manager will review completed applications. If the C-PACE application meets the eligibility criteria, the Program Manager will request acknowledgement of the C-PACE project from the County. The property owner will receive approval of their application with an Acknowledgement of C-PACE Program Project Approval form signed by the County. In most cases, completed applications will receive approval notification with the County's Acknowledgement within 10 business days.

STEP 3

After the C-PACE application is approved by the Program Manager and acknowledged by the County, the property owner and County Designated Lender or other private lender will close financing and provide the Program Manager with proof of executed financing agreement. Then, the property owner may begin the construction period.

STEP 4

Upon completing construction, property owner or C-PACE lender will provide a Project Completion Certificate and a payment schedule for the C-PACE financing to the Program Manager.

STEP 5

The Program Manager will notify the County that a project has been completed by sending the Notice to County of C-PACE Program Surcharge form. The County will return a Confirmation of Surcharge form to acknowledge the payment schedule for the Program Manager, the property owner, and the County Designated Lender or other private lender.

STEP 6

The Program Manager will provide quarterly reports to the County on completed projects and notify the County prior to May 1 of surcharges to be placed on the annual property tax bill. The Program Manager will submit the surcharge request annually until the C-PACE obligation is paid in full.⁶

STEP 7

Once C-PACE surcharge amounts are collected through the property tax collection process, the County has 30 days after the end of the month in which the surcharge is due to send collected surcharge amounts to the Program Manager.

STEP 8

The Program Manager will be responsible for remitting the collected assessments to the County Designated Lender or other private lender.

Becoming a Registered Contractor

Contractors are invited to become registered participants of the Montgomery County C-PACE program. By registering with the C-PACE program, contractors will receive information about the program and appear on the C-PACE website. Contractor registration can be found in EXHIBIT E: C-PACE Contractor Application on page 1. Once a completed application is received, please allow up to 7 business days for processing and approval.

Administration and Servicing Fees

PACE Financial Servicing charges the following fixed administration and servicing fees for the term of the C-PACE loan:

- APPLICATION FEE: \$150 upfront application fee
- CLOSING FEE: 1% closing fee calculated as a percentage of the C-PACE loan amount
- SERVICING FEE: an annual fee of 16 basis points (0.16%) calculated on the outstanding principal balance through the assessment period

Note: Montgomery County reserves the right to include a County collection and processing fee that will be added to the annual C-PACE surcharge, which will be evaluated on an annual basis.

⁶ The County does not accept pre-payment of the C-PACE loan through the property tax collection process, and any pre-payment will be refunded. Pre-payment terms must adhere to the loan documents as agreed upon between property owner and lender.

EXHIBIT A: Lender Consent Document

MONTGOMERY COUNTY REQUEST FOR LENDER CONSENT AND NOTICE OF PROPOSED C-PACE LOAN

Notice Date:

Lender Address:

Lender:

Street:

City/State/Zip Code:

ATTN:

Property/Loan Information:

Address:

APN:

Loan Number:

Why has the bank received this notice?

The property owner listed below owns the property located at the address above. You are the holder of a loan secured by the property.

[Property owner/address] wishes to install energy upgrades to the property using the Commercial Property Assessed Clean Energy (C-PACE) financing mechanism established by the State of Maryland and Montgomery County and seeks your consent to do so.

Background on C-PACE in Maryland

In 2014, Maryland adopted legislation that provides access for owners of commercial, industrial and qualifying multi-family housing property in the state to a new form of financing for energy efficiency, water efficiency, and on-site renewable energy (EE/RE) upgrades to their buildings. C-PACE financing allows property owners to improve their buildings and meet important energy policy goals of the State and its counties.

The Program Manager (PACE Financial Servicing) is responsible for administering the Montgomery County C-PACE program. With C-PACE, financing for EE/RE projects is repaid as a property tax surcharge, a mechanism long used to finance improvements to real property that meet a public policy objective, such as sidewalks, parks, lighting districts, and water and sewer projects. Like other county surcharges, C-PACE surcharges must be current upon the sale of a property and remain with a property upon sale. As with county property taxes and related charges, only delinquent surcharges have a lien status senior to mortgages upon the sale of a property.

Montgomery County's C-PACE program has been designed to also meet the needs and concerns of Montgomery County property owners and existing mortgage lenders. To qualify, the proposed project must meet the following basic criteria:

- The property is located in Montgomery County, MD.
- The property is a commercial, industrial, or multi-family (more than 4 rental units) property.
- The proposed measures reduce energy or water consumption and/or increase the production of on-site renewable energy.
- The cost of the proposed measures does not exceed 20% of the value of the building.
- The total debt on the building (including the C-PACE loan and outstanding balance of the mortgage or deed of trust) must be no more than 90% of the full cash value of the qualified property.
- The property is current and in good standing on all property tax payments
- The property owner receives consent from the current mortgage holder(s).

Why should you provide consent?

1. Measures financed through C-PACE should reduce building operating costs. Through reducing energy consumption, a proposed project should result in energy savings. The Program Manager encourages property owners to engage a professional engineer to verify energy savings.
2. C-PACE Assessments do not accelerate. In the event the mortgage holder forecloses on the property for any reason, only the amount of the C-PACE surcharge currently due and/or in arrears would come due. It is important to note that in the event a C-PACE surcharge is delinquent, the surcharge will have a lien status senior to a private lender’s mortgage. In the event of a property sale, future C-PACE surcharge liabilities transfer to the new property owner.
3. Measures financed through C-PACE improve properties, often reducing maintenance and repair costs. In addition, energy measures may improve the efficiency, health, and comfort of a building.

What should you know?

[Property owner/address] has indicated its intention to apply for C-PACE financing for the improvements outlined in the C-PACE Project Application on the property listed above. The surcharge is to be levied on the property pursuant to an agreement between the property owner, the Program Manager, and the funding source for the C-PACE improvements [Lender/Capital Provider].

You are consenting to financing which is collected as a surcharge on the owner’s property tax bill. Should it become delinquent, it will be collected through the tax sale process.

The related payment terms are proposed to consist of the following:

Maximum cost of improvements

Utility rebates/incentives:

Total C-PACE financing requested:

Interest rate not to exceed:

Term of repayment period:

Total estimated annual installment:

Payments per year:

Estimated Benefits of the Authorized Improvements:

Electric and Fuel Bill Savings:

Other Savings (specify):

TOTAL:

Purpose of this Notice

As required by the C-PACE enabling legislation (A law concerning: Real Property Taxes – Clean Energy Loan Program and Property Tax Surcharge, enacted in 2014, [Name of property owner] is sending this Notice of Proposed C-PACE Surcharge to Lender to (i) provide notice of the proposed participation of the property above in C-PACE financing; (ii) request confirmation from you (the current lender) that the levy of the Surcharge will not trigger an event of default or the exercise of any remedies under the Loan documents, (iii) provide notice that the surcharge will be collected as an installment on the property tax bill in the same manner as and 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 surcharge.

The Lender hereby acknowledges that the property owner, Montgomery County, County Designated Lender, Program Manager and the Program Manager’s Servicer will rely on the representation and lender consent set forth in this document.

Execution and Return of Consent

Please execute the Lender Consent to C-PACE Surcharge and return it to the undersigned at your earliest convenience.

Very truly yours,

BY: (signature): _____

PROPERTY OWNER NAME:

SIGNATURE DATE:

MAILING ADDRESS (if different than Property address):

The Lender hereby acknowledges that the Property Owner and the Municipality will rely on the representation and Consent of the Lender set forth in this Consent.

LENDER:	
	By: _____
	Authorized Representative
	By: _____
	<i>Name</i>
	By: _____
	<i>Title</i>
	By: _____
	<i>Date</i>

EXHIBIT B: Montgomery County C-PACE Application



APPLICATION FOR MC-PACE PROGRAM

01	Contact Information <small>(ALL FIELDS REQUIRED UNLESS OTHERWISE NOTED)</small>																																								
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	<p>I, _____, acknowledge the validity of the information listed on the application. Additionally, I acknowledge I have read and understand the program guidelines. By signing this application, I understand that project construction cannot commence until I receive an executed Acknowledgement of C-PACE Program Project Application from the County.</p> <p>Building Owner Representative Signature _____</p> <p>Title _____</p> <p>Date _____</p>																																								

EXHIBIT C: Disclosure of Risk Document

[LENDER] and Program Manager C-PACE Disclosures and Risks

The [Lender] and Program Manager (PACE Financial Servicing [“PFS”]) make the following disclosures to the property owner participating in the C-PACE program, and set forth potential risks associated with accepting PACE program financing and the surcharge on your property as follows:

DISCLOSURES

- 1) The C-PACE surcharge, along with processing and collection charges that may be charged by the County, will be repaid through a C-PACE program loan surcharge (“Surcharge”), which will be included on the property owner’s real property tax bill and will be due and payable on the same date as real property taxes.
- 2) Surcharges are secured by and attached to the real property. At resale, the purchaser of the property will be responsible for any future surcharges (if applicable).
- 3) Pursuant to Article 5, Chapter 18A-36 of the Montgomery County Code, if surcharges are delinquent, the delinquent surcharge becomes a tax lien and collectible through the tax sale process authorized under Tax-Property Article, Title 14, Subtitle 8 of the State Code (“Annotated Code”) Since the surcharge is part of the property tax bill, a failure to pay will result in a tax sale.
- 4) The County has no liability for payment of the C-PACE program loan, the Surcharge, its assessment, levy and collection, or any costs associated with the assessment, levy and collection of amounts due under C-PACE program loan.
- 5) **Neither the Program Manager nor Montgomery County is your lender.** The Program Manager’s role in this transaction is to administer the C-PACE Program and meet all of the applicable statutory requirements for the State of Maryland and Montgomery County. If the proposed C-PACE Program project is approved by both the Program Manager and the Lender, and the property owner meets all of the C-PACE Program and Lender requirements, then the Lender will finance the C-PACE project.
- 6) The Property owner has been made aware of the effective interest rate on the Loan, including any fees charged by the Program Manager and Montgomery County to administer the C-PACE program, and the risks associated with variable interest rate financing, if applicable.
- 7) County Designated Lender financing is fixed rate financing. Although you may be able to prepay the remaining principal of your C-PACE Loan subject to any applicable prepayment restrictions and penalties as may be contained in the Financing Agreement, you will not be able to refinance through the County Designated Lender to achieve a lower rate.

POTENTIAL RISKS

- 1) Property owner may want to obtain an energy audit or renewable energy system feasibility analysis on the project that assesses the energy cost savings projected and have it reviewed by a third-party.
- 2) The Lender and the Program Manager do not guarantee energy savings.
 - a) The energy efficiency and renewable energy measures proposed to be installed on the Property may not perform to specification. They may break down or underperform due to technical malfunction or improper installation. Project success often depends on third parties who are capable of installing and managing projects and structuring contracts that provide appropriate protection against these construction and operational risks. The Program Manager recommends property owners have their installation and servicing contracts reviewed by competent legal counsel and engineering consultants prior to execution.
 - b) Completed projects require ongoing maintenance to meet projected energy savings and sustain equipment performance. Such maintenance could be complex, costly, and/or be beyond the capabilities of "in-house" staff, requiring external expertise or specialized services over the life of the energy conservation or renewable energy measures.
 - c) Fluctuations in energy prices may increase or decrease the savings associated with your project. Your Project's estimated savings are based on assumptions about the future price of electricity and fuels. To the extent that future energy prices are lower than those assumed to occur, your future savings will be less than projected.
 - d) Changes in property occupancy may increase or decrease the savings associated with your project. Your project's estimated savings are based on assumptions about the future occupancy and uses of your Property. To the extent that occupancy decreases, or Property uses shift in a manner not currently contemplated such that less energy will be used than expected, your future savings will be less than projected.
- 3) The success of your project may depend in part on various Federal or State policies and incentives that support or enhance project economic feasibility. Such policies may include governmental initiatives, laws and regulations designed to reduce energy usage, encourage the use of clean energy or encourage the investment in and the use of sustainable infrastructure. Incentives provided by the Federal government may include tax credits, tax deductions, bonus depreciation as well as federal grants and loan guarantees. Incentives provided by the State of Maryland may include renewable portfolio standards, which specify the portion of the power utilized by local utilities that must be derived from clean energy sources such as renewable energy, renewable energy credits, tariffs, tax incentives and other cash and non-cash payments. In addition, Federal and State governments may provide regulatory, tax and other incentives to encourage the development and growth of sustainable infrastructure. You may be depending on these policies and incentives to help defray the costs associated with, and to finance, your project. Government regulations also impact the terms of third-party financing provided to support these projects. If any of these government policies, incentives or regulations are adversely amended, delayed, eliminated, reduced or not extended beyond their current expiration dates, the economics of your project may be harmed.

The property owner hereby acknowledges the above described C-PACE disclosures and transaction risks by and through its duly authorized undersigned representative.

Property Owner: _____

By: _____

Its: _____

EXHIBIT D: Project Approval Checklist

PROJECT INFORMATION	
Capital Provider:	
Property Address:	
Property ID Number:	
Telephone Number:	
Fax Number:	
Email Address:	
Property Owner:	

CHECKLIST		
<input type="checkbox"/>	Application for C-PACE Financing	Submit to Program Manager
<input type="checkbox"/>	\$150 Application Fee	Check addressed to "PACE Financial Servicing, LLC"
<input type="checkbox"/>	Project Scoping Documents (Optional)	Could include an energy audit, project scope and/or feasibility study
<input type="checkbox"/>	Disclosure of Risk Form	Share with owners and return signed copy to Program Manager
<input type="checkbox"/>	Title Search Report	Within the last 60 days
<input type="checkbox"/>	Mortgage Lender Consent Form	If applicable
<input type="checkbox"/>	Recent Mortgage Statements	If applicable
<input type="checkbox"/>	Documentation of Mortgage Release	If applicable
<input type="checkbox"/>	Signed Affidavit	Should state: Property owner agrees that prior to the date on which this C-PACE financing closes, it shall not place any additional mortgage, lien or encumbrance on the Property other than any encumbrances that have been previously disclosed to Program Manager.
<input type="checkbox"/>	Property Tax Account Assessment Roll or Current Market Value/Appraisal	Can be obtained through the Maryland State Department of Assessment and Taxation (SDAT)
<input type="checkbox"/>	Document that verifies owner is current and in good standing on their property taxes	

EXHIBIT E: C-PACE Contractor Application



Contractor Registration for Montgomery County C-PACE Program

01	<p>Basic Information</p> <p>Company Name <input type="text"/> Contact Name <input type="text"/></p> <p>Title <input type="text"/> Email <input type="text"/></p> <p>Address <input type="text"/></p> <p>Phone <input type="text"/> Website <input type="text"/></p>
02	<p>What services do you offer? <small>(CHECK ALL THAT APPLY)</small></p> <p> <input type="checkbox"/> Energy audits <input type="checkbox"/> Energy modelling and analysis <input type="checkbox"/> Measurement and verification <input type="checkbox"/> Project design <input type="checkbox"/> Energy benchmarking <input type="checkbox"/> Installation and commissioning <input type="checkbox"/> Retrocommissioning <input type="checkbox"/> Project integration/management <input type="checkbox"/> Other <input type="text"/> <small>PLEASE DESCRIBE</small> </p>
03	<p>What building energy improvements does your company offer or specialize in?</p> <p> <input type="checkbox"/> Air compressors <input type="checkbox"/> Building envelope <input type="checkbox"/> Building/Energy manament systems <input type="checkbox"/> Cogeneration <input type="checkbox"/> Electrical <input type="checkbox"/> Geothermal <input type="checkbox"/> HVAC <input type="checkbox"/> Lighting <input type="checkbox"/> Motors and drives <input type="checkbox"/> Rooves <input type="checkbox"/> Solar PV <input type="checkbox"/> Solar thermal <input type="checkbox"/> Other <small>(PLEASE LIST LICENSES, RELEVANT CERTIFICATIONS AND CREDENTIALS)</small> <input type="text"/> </p>
04	<p><input type="checkbox"/> I would also like to participate in the MD-PACE program.</p>
05	<p>Please e-mail this and any questions to the Program Manager, Casey Bell: cbell@paceservicing.com</p>